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THE ROUND TABLE

**A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH**

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IRELAND AFTER TWENTY-FIVE YEARS**

AND ARTICLES FROM CORRESPONDENTS

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THE EMPIRE AND THE MIDDLE EAST

EVENTS have been moving rapidly in the Middle East. The British Government has at last made a declaration of its views on Palestine, and has decided to lay the whole problem before the United Nations. The negotiations for a new Anglo-Egyptian treaty have broken down after many months. Agreements of importance have been announced between the British and American companies interested in Middle-Eastern oil. Is the general pattern of British policy in the Middle East, as disclosed by these events, satisfactory? The answer to that question closely affects the wider peace structure and is of deep concern to the whole Commonwealth.

A Vital Base

BRITISH Middle-Eastern strategy in the two great wars of this century was based upon the key position of the Suez Canal. In the first our principal object was to maintain our communications through the Mediterranean to India, Australasia and the Far East. In the second those communications were broken after the fall of Crete, and our supply-line between East and West had to be routed round the Cape; but the Suez base remained vital to us for the defeat of Germany's land attack upon the Middle East.

Axis penetration to the Indian Ocean would have been fatal to our wider strategy. But there was also a more immediate danger. If Germany had overrun the Middle-Eastern oil-fields, she would also have captured those of the Caucasus. Sea power, land power, air power, are dependent upon adequate supplies of oil fuel. If we had lost the Middle-Eastern supplies and become dependent upon those of America alone, while Germany's oil resources were *pro tanto* increased, the fortunes of war might well have been entirely different.

Germany attempted three separate lines of attack upon the Middle East—through Russia in the north, through Syria in the centre, and through Egypt in the south. The centre attack took the form of air landings in Syria designed to reinforce a rebellion in Iraq. This was defeated in the latter part of 1941 by our advance to Baghdad from Transjordan and then by the occupation of Syria and the Lebanon. The brunt of this fighting fell upon an Australian and an Indian division, which both greatly distinguished themselves. Arab forces from Transjordan and a small Free French contingent also participated; and we were fortunate in the fact that the Arab rulers of Iraq, Transjordan, and Saudi-Arabia stood loyally by us. The attack in the south was eventually defeated by the decisive victory of Alamein, in whose glory every part of the Empire shared; it was a united Empire achievement. The northern offensive, which swung down from the Don Basin upon the Caucasus, was also painfully near success until arrested finally by the great victory of Stalingrad. Those two battles, Alamein and Stalingrad, fought within a few weeks of each other, will assuredly both rank in history among the decisive battles of the world.

None of these operations, which turned the tide of war, could have been mounted, sustained or crowned with victory in the absence of a Mediterranean base directly accessible to shipping from Eastern waters. That base was the Suez Isthmus. There was, and is, no other base for operations in the territories washed by the Mediterranean, whether north or west of Egypt, which could have been effectively supplied when the Mediterranean was closed against us. (A doubtful but conceivable and solitary alternative is Akaba, which could not be made available without the expenditure of many millions and would even then be of small value if the Suez Isthmus were under hostile control.) The campaign which kept the Germans from the Lebanon, Syria and Iraq depended on the Suez base. So did the great build-up of the Empire's resources which carried the 8th Army and the Royal Air Force across North Africa to the German capitulation in Tunis. So did the vigorous activity by sea and air which kept the Afrika Korps short of reinforcements and supplies. It was fortunate indeed that the Anglo-Egyptian Treaty of 1936 gave us in the Suez Isthmus a Mediterranean base open upon its eastern side to reinforcement and supply from every corner of the globe.

The Egyptian Treaty Negotiations

LITTLE wonder, therefore, that widespread dismay was caused by the United Kingdom Government's line of negotiation on this subject in its treaty discussions with Egypt. The attitude of the South African, Australian and New Zealand Governments, when consulted, was diplomatic, for the reason that they were unable to undertake any share of the peace-time cost of security in the Middle East; but anxiety was undoubtedly expressed, and it was natural.

Insufficient regard had been paid during the six months following the end of hostilities to Egyptian national feeling upon the occupation of Cairo and Alexandria, where we had no treaty rights when once the war was over; and in these conditions there was reason for the view that we should be prepared to waive our treaty rights of occupation in the Canal Zone, though valid till 1956, if some form of security more palatable to Egyptian sentiment could be substituted for it. It is, however, seldom good diplomacy to give away your most important interest before you are assured an adequate return; and it is utterly mistaken to suppose that surrender wins immediate respect and friendship—it more frequently does the opposite.

Much comfort was therefore given by Mr. Bevin's statement to the House of Commons on May 24; and, in the absence of detailed information upon the subsequent course of negotiation, that declaration remains the one solid factor in a situation of much uncertainty. This is what Mr. Bevin said:

"There is one thing on which I will give the Committee an assurance. I will be no party to leaving a vacuum. There must not be a vacuum. If the Egyptian Government try to force a situation in which there is a vacuum—meaning that we have gone and there is nothing there for security instead, regional defence or other organization—I can never agree."

It seems that subsequent negotiations produced agreement upon the

measures to be taken to preclude a "vacuum"; but their character is only vaguely known.

It is to be noted, however, that statements have been made, and not contradicted by Ministers, to the effect that the British Government desired to establish a base in Palestine. Any such idea would be a new departure in our Palestine policy, not easily reconciled with the terms of the existing Mandate. If persisted in it would presumably require approval by the United Nations in a new trusteeship agreement; and it suggests that the measures agreed upon to preclude a vacuum in the Suez Isthmus are not regarded as adequate.

The Anglo-Egyptian negotiations have, however, lapsed through disagreement upon the ultimate right to independence claimed by the Sudan—an issue which the Egyptian Government are submitting to the United Nations. In the meantime, and until a new treaty is negotiated, we retain our rights of occupation in the Suez Canal Zone. The negotiations will assuredly be resumed, and it is earnestly to be hoped that they will then be carried forward on a broader basis and in a happier atmosphere. But much will turn in that respect upon our relations with the Arab League, and those will be governed almost exclusively by the course we take in Palestine.

Oil: A Key Problem

PALESTINE accordingly remains the cardinal issue in British Middle-Eastern policy. In order, however, to study it in proper perspective, it is necessary first to deal with another subject which still governs our strategic interest in the Middle East and our need of co-operation with the Arab peoples. That subject is our war preoccupation—oil. Even now that Germany has been eliminated as a military power, we cannot afford to take any chances about the security of the Middle-Eastern oilfields and the transport of oil from them. In peace, as in war, our very life depends upon them. Without cheap and plentiful supplies of oil to offset the shortage of coal, recovery and prosperity will not be possible for us. Without security for oil supply in war, the Forces of the Empire would be immobilized, its communications ruptured and its cohesion lost.

The Americas apart, there is no reserve of oil yet found comparable with that already under development in Iraq and on both shores of the Persian Gulf. American consumption of petrol is rising so rapidly that it may soon exceed the total production of the Western Hemisphere. We therefore cannot count on oil from that quarter and must make sure of the only other great proven reserve, the Middle East, which holds almost as large a proportion of the world's known resources as the Americas—42 per cent as compared with 46 per cent. The political and economic problem of peace-time is to ensure the steady exploitation of the Middle-Eastern oil-fields on terms which benefit the Middle-Eastern peoples without impairing their independence, and enable the product to be delivered cheap to distant consumers.

The oil agreements recently announced need close consideration from that point of view. The Anglo-Iranian and American-Arabian oil companies have much crude oil but inadequate machinery for refining and distributing

it. The continental American companies have the necessary machinery but can no longer count on supplies of crude oil for world distribution from the Americas. These complementary interests have accordingly been combined, and the two new pipe-lines by which it is hoped to carry oil from the Iraqi, Persian and Arabian fields to the Mediterranean seaboard are part of the new design.

To ensure a sufficiency of cheap oil for essential peace-time needs we must be able to rely upon the friendly co-operation of all the States from which the oil is derived or through which it has to pass. For Britain that is a vital political necessity which she shares with other European, Asiatic, and Pacific countries, and will share in rapidly increasing measure with the United States. For security in any great emergency she must be able to count without a peradventure upon defence of the oil-fields and the transport routes. With the growth of air power, tankers are unlikely to find safe passage through the Mediterranean in a major war. To preclude intimidation by the threat of war and the possibility of war itself, the Commonwealth must therefore ensure the safe passage of oil through the Indian Ocean from the fields in Persia, Arabia, and Iraq. That means, in the first place, adequate sea and air defences with the necessary bases from Simons-town in the Cape Peninsula to Koweit in the Persian Gulf; but it also means security for the oil-fields against air bombardment and air-borne attack. Air command needs to be organized in great depth. There can be no security for the British Empire or the Arab League against intimidation or aggression if the Middle-Eastern air bases which played so critical a part between 1940 and 1943 are not guaranteed against hostile occupation in any future emergency by an adequate system of regional defence.

The first essential is to prevent the growth of fears and jealousies among the major Powers upon the oil question. This is one of the issues that call for frank discussion, in the first place, between Britain, the United States and Soviet Russia. The conduct of the Soviet Government towards Persia since the evacuation of Azerbaijan has been unexceptionable. The oil agreement between the British and American Governments, negotiated some time ago, has not been signed; but progress with it appears now to have been resumed, and it is highly desirable that a similar understanding should be concluded with the Soviet Union. Everything indeed that can be done by statesmanship and diplomacy to secure some real measure of international accord upon the question of oil should be done without delay or half-heartedness; and measures should also be taken to ensure the widest possible distribution of oil at reasonable prices. This latter consideration should not be left entirely to private control; it must be watched and supervised by Governments.

A Regional Security System

BUT, when all this has been done, the question of security against war and intimidation by the threat of it should not be sacrificed to any other consideration; it is, for the Empire, an imperative necessity. The fact is that one of the two great reservoirs of an element essential to modern civilization

lies in territory inhabited by nations which do not possess the industrial and other resources necessary to ensure their own independence and immunity from aggression. It was clearly foreseen by those who framed the Charter of the United Nations that security must be built up by regional systems of insurance against aggression comprising the States most vitally concerned. The sooner and more firmly such regional systems are established, the better the prospects for world peace. The interests of the British Empire and the Arab League are in this respect completely complementary; neither can be safe without a regional system of security worked out in partnership.

For this the goodwill of the Arab States is indispensable, and on that our course of action in Palestine will be the deciding factor. It has been noticeable, indeed, that outside Egypt very little interest has been taken in the Anglo-Egyptian negotiations. What fills the Arabic press and broadcasts is Palestine. Nor is feeling about it confined to the politically-minded sections of the population. It runs deeply through every class and country; it is, in fact, universal.

Policy for Palestine

THE British Government has now declared itself against both the Arab proposal of immediate independence for Palestine under a preponderantly Arab government and the Jewish proposal of a Jewish State sovereign over a large part, if not all, of Palestine. Its plan would imply the discharge of our Mandate as we have always interpreted it—that is, the building up of a unitary, self-governing, bi-racial State in an undivided Palestine.

In principle, this policy is the right one. It is hard to imagine anything more destructive of respect for British character in the Middle East than an abdication from our Mandate, whether in the form of supporting one or other of the rival Arab and Jewish proposals or of washing our hands of responsibility and letting the United Nations face the question without advice from us. The first course has been rejected: to follow the second would be equally to surrender to extremism and violence—an abdication at once dishonourable and disfiguring.

It is true that we are in any event bound in due season to secure the confirmation of our Mandate in a new trusteeship agreement, and that the plan put forward by Mr. Bevin would require for its successful discharge the co-operation of other Powers in one essential matter—the provision of asylum in other countries for the greater number of dispossessed European Jews. But our right to claim co-operation in both those ways will be immensely fortified if we can show that we are standing firmly and courageously by the undertaking which we gave to Christendom, Islam and Jewry when we accepted the Mandate a quarter of a century ago. The awful trouble which has since come upon the Holy Land was not of our making, though we have failed more than once, and more particularly in recent months, to tackle it with adequate courage and determination. It is a trouble of international origin, and we are entitled to demand of our chief allies in the war and of the United Nations that they shall at long last recognize the fact; for

only so can the strife and bitterness with which the cause of nationalism in various forms has afflicted the Holy Land be permanently lifted from it.

The case for the Mandate as originally conceived was based upon the international character of the Palestine question. It has never been better stated than in the memorandum submitted by a most representative Arab, Feisal, first King of Iraq, to the Paris Peace Conference in 1919. This is what King Feisal wrote:

"In Palestine the enormous majority of the people are Arabs. The Jews are very close to the Arabs in blood, and there is no conflict of character between the two races. In principles we are absolutely at one. Nevertheless, the Arabs cannot risk assuming the responsibility of holding level the scales in the clash of races and religions that have, in this one province, so often involved the world in difficulties. They would wish for the effective superposition of a great trustee, so long as a representative local administration commended itself by actively promoting the material prosperity of the country."

The King-Crane Commission, appointed by President Wilson in the same year, found that such an arrangement would be acquiesced in by the Arabs, their preference being first for the United States and second for Great Britain as trustee. Neither that nor any other trusteeship being acceptable at that time to the United States, the duty devolved on us; and we might have discharged it with complete success but for a complex of world events and movements entirely beyond our control.

The Sources of Present Troubles

FIRST of these was the Hitler persecution of Jews in Germany. This created a demand for Jewish immigration into Palestine from 1933 onwards in a volume which threatened the Arab inhabitants with dispossession or subordination. Under the harrow of that persecution, Zionism developed into a fiercely national movement which came at last to demand as its right the creation of a Jewish sovereign State in Palestine—a demand entirely inconsistent with the Mandate and with the spirit of our many undertakings to the Arab world. Next, there came into being within the Jewish community in Palestine a highly organized military movement, inspired mainly by Jews from eastern Europe, through which a considerable proportion of Jewish youth became addicts of terrorism in its most loathsome guise.

It was the same concatenation which prevented us from establishing representative government in Palestine. Proposed at intervals in various forms, it was rejected at different times for different reasons by both Arabs and Jews. But in this the Arabs have a genuine grievance against us, since our failure to insist upon it when resisted only by the Jews made them feel that they had lost all voice upon policy in a country whose future is of the deepest political and religious significance to them.

It is also true that Britain's position as an impartial trustee has been most gravely impaired in latter years by division of opinion in Parliament upon the interpretation of the Mandate and by irresponsible declarations on the part of great political organizations and leading public men. These, hanging like a curse upon Britain's present Government, have led to needless vacilla-

tion and terribly costly delay. But, whatever may be said in criticism of our discharge of the Mandate, the primary responsibility for the present awful state of Palestine rests upon Hitler Germany. Of secondary responsibility no future historian is likely to acquit the United States.

Last, but by no means least, has been the refusal of the Western Powers to face their common responsibility for relieving the appalling misery and helplessness of Jewry in central and eastern Europe since the end of the war. Europe created that problem, and no statesman in his senses can ever have believed that its solution was possible solely by immigration into Palestine. Yet the Western Powers, ourselves included, have failed since the war to take action, in any way commensurate with the needs, which involved cost or generosity on their own part in their own territories.

It is not to be wondered at that Zionism in its militant form, American support behind it, and the pressure of illegal Jewish immigration connived at by the Western Powers have reduced King Feisal's wise appraisal of the needs of Palestine to dust and ashes in the Arab mind. One extreme has bred another, and the Arab League has reiterated for many months past that it will be content with nothing less than acknowledgement by the world of an independent Arab State in Palestine. The fumbling and nerveless diplomacy with which the British Government has so gravely impaired the great position in the Middle East held by this country at the end of the war is no doubt responsible in part for the hardening of the Arab attitude. If weakness towards intransigent extremism is shown in one quarter, it comes to be expected everywhere; and the Arab League has undoubtedly been led by fear of a surrender to Zionism to overplay its own hand.

The True Interests of the Arabs and the Jews

A MORE realistic Arab statesmanship would have given weight to other considerations. The Arab States owe their present status as independent members of the United Nations in the first place to the strength and steadiness of Britain, which saved the Middle East from conquest by German and Italian arms, and in the second place to Britain's American and Russian allies. While, therefore, they may feel reason for distrusting and opposing the attitude of some Western States towards Palestine, they ought not to forget that their international position is still in essence weak without the support and sympathy of a powerful friend amongst the greater Powers.

Nor should they ignore the fact that the future of Palestine can never be simply that of an Arab member of the Arab League. It is a Holy Land for Christianity and Jewry no less than for Islam, and their objection to partition of it in the interest of the Jews would have carried much greater weight in the mind of Christendom if they had remembered the wisdom of King Feisal and opposed the Zionist claim with something broader than a narrow nationalist argument of their own. The annulment of the Mandate in the sense which they desire could never have been effected by British fiat without question by other Powers; and the Arab States might well have found in that event that Jewish international influence was stronger than theirs. If they are to protect themselves for ever against the establishment of a

Jewish State, they must now do their utmost to make self-government possible for an undivided Palestine. The relations between Arab and Jew have deteriorated terribly since King Feisal wrote his memorandum in 1919. But it remains as true as ever that only co-operation between the two Semitic peoples under the aegis of a powerful trustee can exorcise the spectre of perpetual strife and bloodshed from the Holy Land.

It will be happy, indeed, if the moderate forces in Jewry are also able now, for their part, to reassert themselves. It is an inescapable fact that only a minor proportion of the Jewish race throughout the world can ever find a home in Palestine. Would the creation of a Jewish national State in Palestine have been of advantage to Jewry in other countries or otherwise? Britain in particular was bound to weigh that question, since consideration of it formed part of her original pledge to the Jews and was inserted in the Balfour Declaration at the express request of a very authoritative body of the Jewish people. "Nothing", said that pledge, "shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine or the rights and political status enjoyed by Jews in any other country."

It is an article of the Zionist faith that statehood in Palestine is necessary to the dignity, welfare and contentment of the Jewish race throughout the world. But a Jewish State in Palestine would inevitably have been drawn into the vortex of international affairs because of its strategic position, forming as it would a bridgehead in the heart of the Arab world. It is difficult to believe that such a new entity, surrounded as it must inevitably have been by Arab hatred and fear, would have conduced to tranquillity in the Middle East or to peace in Palestine. The very great number of influential Jews who have always been opposed to political Zionism have therefore had good reason for their anxieties. The blind fervour of Jewish zealotry in Palestine brought terrible suffering upon the Diaspora in the days of the Roman Empire, and in our time it has unquestionably given a dangerous and deplorable edge to anti-semitism. For all these reasons we believe that the British Government will be serving the best interests of world Jewry in holding by the Mandate and the Balfour Declaration as originally understood. The Jews can give a new life of peace and prosperity to Palestine by accepting autonomy in their own communes and co-operating in the central government as now proposed without sacrificing their agelong dream of making Palestine once again their cultural and spiritual home. They can never do so otherwise; for the cultural and spiritual claims of other races and faiths upon it are as strong and deeply founded as their own.

A Challenge to Christendom

THE utmost that the British Government can do for peace in Palestine will not, however, be sufficient for that purpose if the problem of the dispossessed Jews in Europe is not accepted as a common responsibility by the States of Christendom. Barbarism in Europe created that problem; war between the Western Powers, and the aftermath of war, have accentuated it a hundredfold. The East cannot be morally burdened with it, nor can it

ever be solved by immigration to Palestine. If other nations with room for immigrants will do their share, a reasonable though much smaller proportion of homeless Jews may justly be directed to Palestine. Arab acquiescence in that course may be fairly claimed if the major responsibility for solving the problem is accepted by the Western Powers who created it, and the Arab world is relieved from its haunting fear for the Arab majority in Palestine.

Political Zionism, for its part, was driven into extremism by Western indifference to that problem and by the refusal of Western Powers to take any practical steps towards solving it. Western treatment of the Jews in this matter has, to use plain English, been as selfish and immoral as Western treatment of the Arabs. How can either be fairly exhorted to bury hate in Palestine so long as the attitude of Christendom is one of utterly un-Christian cynicism?

This is an international responsibility on which we trust that the British Government will challenge the United Nations with far more determination than it has hitherto shown. Doubtless its weakness has been due to its own shortcomings towards the Jews. These cannot be made good at Arab expense, whatever support other great Powers such as the United States may offer for that course. The solution of the problem is a matter of such vital import to the whole Commonwealth that the Dominions should not hesitate to make common cause with the United Kingdom in insisting that the United Nations should deal with it as what in truth it is—the most urgent and imperative of international obligations in the wide chaos of suffering which the war has bequeathed to us. If ever there was a case for vigorous and united diplomatic action by the nations of the Commonwealth, it is here. If the United Kingdom does not appeal for such action, it will fail in its duty both to the Commonwealth and to all Christendom.

THE TREATY SETTLEMENT OF EUROPE

THE attention concentrated over the last eighteen months on peace treaties, first with Italy and the Axis satellites and now with Germany and Austria, has disposed the public to regard treaties as the cardinal events in international life, and treaty-making as its most important process. This disposition has been reinforced by current discussions on, for instance, Anglo-French and Anglo-Russian treaties. In the past, when common codes of international behaviour were more widely respected than they are to-day, the treaty structure of Europe usually provided a fairly accurate clue to its real structure. Treaties laid down the rules within which the game was played; and infringement of those rules led to predictable consequences.

This remained true till 1914. But in the period between the two world wars—or at least towards its close—it ceased to be true. Long before 1939 the Treaty of Versailles, the Locarno Treaties and the Little Entente—to name only the more conspicuous examples—had lost their validity, without agreed revision and without their breach leading to war.

It can be argued that Britain and France entered the war in 1939 in obedience to treaty obligations. But the British guarantee to Poland given in the spring of that year was an improvisation—a challenge and warning to Germany and a necessary definition for Britain herself of the point beyond which she could not with impunity be provoked. If war had to come, there had to be a *casus belli*. But no one pretended in 1939 that it was only a Polish “scrap of paper” which drew us, in reluctant obedience to the call of honour, into war. The challenge to Britain’s interests and, indeed, existence was too obvious to take such a gloss.

To-day again the probabilities of European development are better estimated by a review of national interests, of the organic factors of the Continent and the potentialities and needs of its unbalanced areas, than by reference to the pattern of treaties in existence or taking shape.

Changing Conditions

LASTING, satisfactory and decisive treaties are likely to be concluded only when recovered equilibrium has created more or less stable conditions for them to govern, conditions whose stability the parties to the treaties are interested in maintaining. Treaties of peace have therefore seldom proved a decisive regulating factor on the course of events in the longer run; and to suppose that they are likely to prove so is a modern illusion, dating from 1919 and deriving from the first introduction of “total” elements into the methods and aims of warfare. Having totally defeated your enemy, it is perhaps natural to suppose that you have done so permanently, and to frame a peace treaty with corresponding expectations. The radical and rigid

character of the Treaty of Versailles made it an instrument ill-suited to govern any conditions other than those of 1919; and, when the relative power of European States began to change, it proved necessary to create a new European treaty structure at Locarno.

The more moderate settlements of, for instance, 1815 and 1871 proved more durable, partly because the victors avoided the temptation of supposing that the vanquished State, having ceased for the time being to be powerful, had therefore ceased to exist or require consideration. Yet even in these cases the peace treaties themselves did not long remain the real basis of European order, though the territorial settlement they established lasted longer. The work of the Congress of Vienna was superseded by the Holy Alliance, and the Treaty of Frankfurt by Bismarck's arrangements with Austria, Italy and Russia, just as Versailles was superseded, albeit nominally endorsed, by Locarno. In each case the later arrangement became the governing one. Nor can this have seemed surprising in the nineteenth century, when peace treaties were regarded as instruments for terminating wars, thereby permitting a resumption of normal development, not as statutes perpetuating the transitory conditions of victory.

The Minor Peace Treaties

THE effect of peace treaties is likely to be lasting in proportion as they are just and wise. Applying this criterion to the five European peace treaties now concluded and the two still under discussion yields pessimistic results. No moral or political principle distinguishes them; no common theme gives them consistency. They are no more than patched-up compromises between rival interests. The German peace treaty, unlike the others, is likely to have one unifying element—the common intention of its signatories to keep Germany in a state of military weakness. Not even this negative purpose informs the lesser treaties. If Finland or Rumania, for instance, is to remain militarily weak, it will be by virtue, not of the peace treaties, but of Russian policy.

All the treaties, in their most important provisions, conflict with the principle solemnly pronounced in the Atlantic Charter (to which Russia later adhered) that no territorial changes should take place without the consent of the populations concerned. Disregarding the recovery by France of Alsace and Lorraine and by Rumania of Transylvania, which merely restore the inter-war position, there is probably not one of the many territorial changes made or to be made by the treaties, except, perhaps, the restoration of Austrian independence, which would be endorsed by the population concerned; and one of the few changes which would have been so endorsed—in the South Tyrol—has not been made. No single plebiscite has been held, or is likely to be. To be sure, the right of self-determination is not this time recognized by the peace-makers, in spite of the Atlantic Charter. But it is still recognized, to a considerable extent, by the Western conscience; and its deliberate flouting in the treaties will lower the regard in which they are held and so injure their prospects of enduring. For a peace treaty can last no longer than its signatories maintain the will to enforce it.

The German Vacuum

THE very emptiness of the German vacuum increases the difficulty of making a good German peace treaty. It strengthens the temptation to disregard German interests and rights—of the latter, in the contemporary climate, it still seems absurd to speak. And the absence of any present threat from Germany deprives the victors of any bond of union. In 1919 both the allies and Germany had seriously to consider the prospect of a resumption of hostilities, should Germany decline to sign. This time no prospect of active German resistance exists to moderate the treaty's severity, though passive resistance, taking the form of a refusal to sign any treaty ratifying the present Polish western frontier, is a possibility the victors might do well to consider.

Finally, it is the total extinction of Germany as a contemporary factor which has given the peace treaties a character so unnatural that their prospects of long endurance as the basis of European public law must be considered slender. For these treaties, properly regarded, are not contracts ending war between the victors and the vanquished; they are armistices in the undeclared war—if that is not too strong a term—between the victors that followed the defeat of Germany in 1945.

When its purpose is achieved the partners of a victorious alliance always fall out. But seldom so radically as this time. In 1815 and 1919, in spite of the intense rivalries generated behind the façade of common purpose, plenty of real community of interests and aims still united the allies—not to speak of the bond represented by standards of international conduct and good faith respected in common. Nearly all these are lacking to-day, and the only link—fear of Germany fifteen years hence—is vitiated by the fact that it is no longer fear of Germany alone. Thus the peace treaties are in reality little more than an exhausted breaking of the clinch between East and West. As such, but hardly as peace treaties in the traditional sense, they may deserve a warm welcome.

The five treaties now concluded do little more than regulate status, extend certain armistice penalties and provide for the evacuation of occupying troops. The last is certainly an important service. The allies had sprawled all over Europe, and none would get off first. Getting them off is the five treaties' main purpose, rather than ending the war.

The same may prove true of the German treaty. Here, too, the treaty will probably involve some mutual removal of allied incubi; and no doubt, when they are gone, rank growths will be discovered underneath. But the peculiarity of the German peace treaty will be that it will register, rather than inflict, Germany's worst losses. For these, and in particular for the decision on the German eastern frontier and the transfer of populations—together one of the most radical and immoral transactions of modern history—Potsdam was responsible; and there seems little likelihood at the moment that the peace treaty will modify them.

This is not the place for a discussion of the German peace treaty. Yet at least Germany, unlike Italy and the four satellites but perhaps like Austria, does represent, quite apart from the special problems of her economic and

military potential, a geographical constant in Europe whose status and relations with other Powers will necessarily continue to be determined by treaty. If there were no other arguments for a little justice and realism in the German treaty, this necessity would provide one; for both will have to be sought some day, and the more remote the peace treaty leaves them the harder the transposition will be. Treaties about Germany and against Germany will remain the order of many a European day. Of treaties with Germany it is indecent yet to speak; but beneath all the tensions between the allied Powers lurks one uneasy unacknowledged shadow—the possibility that Germany may, sooner or later, recover her *Bündnisfähigkeit*.

Multilateral Conventions

THREE main types of treaty have been under discussion in recent months, of which peace treaties are only one. The second, of which the German treaty may perhaps be considered an example but on so large a scale as to constitute almost a separate category, concerns the geographical constants of Europe. There are certain areas, or geographical features, which lie on the border of rival spheres of influence, or overlap them. As those spheres expand or contract, old areas of tension lose their critical character or new ones acquire it. The rival interests of the Powers in such areas have traditionally been harmonized by multilateral treaties, such as the Spitsbergen Treaty of 1920, the Danube Convention of 1921, or the Montreux Convention of 1936 on the Straits. Each of the areas regulated by these treaties is in dispute again; and for each a new or revised convention is sought. Progress has in every case been slow; and here, too, as in other spheres, it may prove too early to make satisfactory arrangements which demand a stability and firmness of outline that Europe in its slow recovery has not yet achieved.

Nevertheless, one such multilateral convention for a disputed area has been completed—the Trieste Statute. The special difficulty of reaching it proves that conventions of this character involve greater difficulties than peace treaties proper; all the same, the Statute deserves to be regarded as the most significant achievement of treaty-making since the war. Each side had to renounce its hopes of a solution in its favour, and acknowledge the need for compromise. The durability of this compromise, and its practical success in promoting the welfare of Trieste itself and the important commercial interests of neighbouring countries which centre on it, will be a good test of the reality of the balance Europe is struggling to achieve.

Premature Alliances

THE third type of treaty under consideration is the full-fledged alliance; and the fact that there is so much talk of alliances at so early a stage after the war proves how widely the inadequacy of the peace treaties, made or yet in the making, is already recognized, and how great is already the haste of certain Powers to supersede them—or rather in this case underpin them—by a new treaty structure. That such a new structure normally emerges after a war and its peace treaties we have already seen; but it is not normal that it should emerge at so early a stage.

It is natural enough that peace treaties should be accompanied by guarantees exchanged among the victors; indeed, the obligation they undertake to enforce them constitutes such a guarantee. But the effort to establish a separate framework of alliance independent of the peace treaties, before the new period of "normalcy" they should inaugurate has had time to develop—and, indeed, before they have even come into force—is a new departure. Such alliances are designed to prevent a new war; but diplomats, like strategists, are too apt to look back, and the war they now plan to prevent looks very much like the last one rather than the next. If the pattern is repeated, these alliances may prove effective; if it changes they will not. And it seems too early to be as sure of the way things are going as statesmen should be before they embark on alliances contemplating war.

They are able to do so, in fact, only because of the profound unreality, everywhere felt but nowhere publicly confessed, of having at this moment such alliances at all. If they do little harm, it is because they do not mean much. Though it may be safe, however, to conclude a treaty without meaning, it is much more prudent not to. To do so only adds to the lamentable inflation of treaty currency. Few treaties to-day are worth what all treaties used to be. You cannot buy certainty with a treaty to-day; all you can hope for is to strengthen the favourable chance.

Treaties have depreciated partly because too often between the wars they were broken with impunity, partly because there are too many of them, partly because of the unrealistic character of many which still formally exist but have ceased to express the real intentions of the parties to them, partly because too firm a faith in the League of Nations or the United Nations has caused a widespread feeling that bilateral treaties, and especially treaties of alliance, are something disreputable in themselves. Added to these causes is the fact that no sooner is a treaty concluded to-day than important differences of interpretation by the several parties arise.

The complicated system of alliances which already binds Soviet Russia and many of the States of Eastern Europe to each other does at least express a genuine reciprocity of intentions on the part of Governments. Those which bridge, or seek to bridge, the gulf between East and West have less reality. The Franco-Soviet alliance of 1944 seems so far to have given little satisfaction or confidence to either party. The Anglo-Soviet alliance of 1942 proved an admirable instrument of war, but Russian complaints of its unreality in the changed circumstances of peace have only too much justification.

An alliance binding two parties, whose policies and interests are in conflict in half a dozen fields, to co-operate in an eventuality that cannot conceivably arise for years is bound to seem unsatisfactory; yet it is doubtful whether the British proposal to prolong it, or the Russian wish to revise it if it is prolonged, could make it more realistic. What, on the face of it, could be more grotesque or irresponsible than the extension for a further thirty years of an alliance which still has fifteen years to run? And what revision could give this treaty a character—such as a true alliance must have—so dominating in the policy of the parties to it that all their actions accord with it? Only a lively and mutual fear of the contingency against which a treaty provides

can give that treaty life—a truth which suggests that the contracting of alliances against Germany could with advantage be postponed for a few years yet.

Mr. Byrnes's proposal for a four-Power pact to guarantee the continuance of German disarmament has four great advantages over such an alternative as the extension of the Anglo-Soviet treaty. First, it would bind all four Powers, not two only. Second, it would for the first time extend an American guarantee to Europe. Third, it would be closely linked with the German peace treaty. Fourth, it would be superior by just as much as German rearmament is nearer than German aggression. So far, save from the British Government, Mr. Byrnes's proposal has had a distinctly cool reception.

Such criticism and reserve might well have been kept for other projects which have had an easier passage. Even about the proposed Anglo-French alliance there is a disquieting air of unreality, ardently though all Englishmen desire effective collaboration with France. What may be doubted is whether such collaboration, for which a sufficient basis of common attitudes and interests exists, will really be strengthened by an alliance. For an alliance opens the way to different interpretations, if not—between France and England at all events—of its terms, at least of the intentions behind it. Either party might be led by the conclusion of an alliance to suppose that the other had abandoned policies it still, in fact, retained; and to irritation and misunderstanding, increased rather than dissipated by such a supposition, might soon be added charges of bad faith.

Improve Relations First

THE truth is that too often in contemporary treaty-making the cart is put before the horse. You cannot improve relations by concluding an alliance; but it may be reasonable to conclude an alliance when you have improved relations. Mistaking the will for the deed can only lead to unreality and further depreciation of the standards of international good faith. The world to-day is not, in fact, governed by treaties, save in a few exceptional cases where they correspond to interests and express acceptable compromises. Perhaps the moral is that less attention should be paid to treaties and more to the real bonds by which States to-day can be united. Only the development of such bonds—be they based on commerce and mutual dependence, on common cultural traditions, on confidence in standards of reciprocal conduct or even on sentiment—can contribute to the real unification of Europe.

Unofficial projects for a Europe united on such a basis may prove more effective in the long run than governmental plans for yet more treaties. Europe cannot be united by treaty any more than the British Commonwealth is. The Dutch-Belgian economic union, one of the most promising of European developments, is taking shape organically, not by treaty. Anglo-American co-operation, the most real and effective international force in the world to-day, is not based on a treaty. Nor probably can Germany, which even the most catastrophic defeat in history has not extinguished, be extinguished by treaty. The vacuum in Europe must be filled. Germany is still at its centre; and in one form or another she must be allowed to do much of the filling.

ECONOMIC PROGRESS REPORT

A YEAR has passed since the American Loan Agreement was signed—the first year of the transition from war-time to peace-time economy. It seems opportune to draft a progress report.

When the war ended Britain was largely committed, and has since become more fully committed, to a general line of policy in international economic relations which is intended to promote the widest possible freedom of trade. To this end she has been one of the prime movers in the setting up of the International Monetary Fund; she has accepted—with whatever doubts and misgivings—the currency and economic clauses of the Anglo-American Financial Agreement; she has sponsored the proposals for international negotiations on trade barriers and the establishment of the International Trade Organization; and, not least, she has taken a leading part—with reckless disregard, as it might be said, for her own acute economic difficulties—in UNRRA and in other relief and rehabilitation measures.

The Fundamental Needs

TWO points must be made which, perhaps because they are simple and certainly because they are fundamental, are apt to be lost to sight in our debates. The first is that Britain has an interest greater, perhaps, than that of any other nation in seeing peace preserved, not only in the sense of preventing war, but in the wider sense of fostering good relations between the nations. Economic frictions are one of the most powerful causes of political differences. Even if conflicts can be localized, we can seldom expect to avoid their economic repercussions.

The second point is that we in Britain are a great importing nation. Though conceivably the United States might at some date exceed the absolute figure of our imports, relatively they can never become so dependent upon imports as we are and must continue to be. For the United States, imports are, so to speak, a balancing item. United States Administrations of recent years have been persuaded—and their view is shared fairly widely throughout the country—that in order to maintain a high level of domestic prosperity the United States must achieve a high volume of exports; and they have moved some way towards accepting the less palatable corollary that the world at large can pay for a high volume of exports only if those exports are balanced by a sufficient volume of expenditure abroad, expenditure in which imports must become an increasingly important factor. With Britain the position is reversed. We import because we must, to provide ourselves with food and other material necessities; we export because we have to, in order to pay for our imports.

Thus any policy we adopt in Britain must be judged in relation to the two fundamentals: to maintain world peace, and to enable us to import what and whence we need.

The end of the war found us with a shortage of man-power and an urgent

need to make good both the damages of war and the accumulation of many years' unsatisfied civilian needs. In addition we had the profound deterioration of our external position: the loss of foreign earnings assets, investments and shipping, and the increase in external liabilities.

Hence the call for an increase of exports to 75 per cent over the pre-war volume. And hence the prolonging of austerity at home, by the emphasis on production for export even in the face of crying domestic needs and the continued limiting of imports even where surpluses are appearing abroad.

The Balance of Payments

HOW far have we progressed on the way to recovery? The data for a considered appreciation are still incomplete. But the trade figures for the year are a useful starting-point.

	(£ millions)		
	1936-38	1945	1946
	(yearly average)		
Retained imports . . .	866	1,052.7	1,247.3
Exports . . .	477	399.3	911.7
Excess of imports . . .	389	653.4	335.6

(Movements of bullion excluded.)

The comparison with pre-war is, of course, obscured by price changes. The Board of Trade estimates, of volume, for what they are worth, show retained imports in 1946 as 69 per cent of the 1938 level, and exports as 99 per cent of 1938.

Given the changes in the structure of our overseas trade, these figures have no great precision, but they bring out several important considerations. Roughly speaking, they indicate that prices of both imports and exports have about doubled; the pound is worth about half its pre-war value in international trade. This is a useful, if not exact, yardstick for comparing present with pre-war starting figures.

Among our imports, food and raw materials are running at about three-quarters of their pre-war level, and manufactured goods about half. Even ignoring the luxury goods and semi-luxuries which would normally enter into the last-named heading, it is clear that these figures reflect a fairly tight squeeze, as is only too apparent from the food situation, the shortage of raw materials in industry and of necessities in shops.

Such a low level of imports is partly forced on us by the present phase of world scarcities and is partly an act of deliberate self-denial. Even when the former passes the latter may still be necessary to us. But a greater volume of imports is essential to our well-being, to say nothing of our comfort.

As to exports, 1946 started off well and continued not too badly. (Not too badly, that is, in terms of totals; but in one essential particular, the destination of exports, there are disturbing features.) It is true that the exporting industries continue to enjoy a seller's market which has more than compensated for all the real difficulties of a period of rapid reconversion. By and

large, however, we can take much encouragement for the future from the resilience which British industry has shown in converting back to peace.

On the balance of trade, the excess of imports over exports, at £335 million, is not only less in terms of sterling than the 1936-38 figure, but is no more than 40-50 per cent of the pre-war level if the changes in the value of money are taken into account.

In 1936-38, it is estimated, we had a deficit on merchandise account of £389 million, and net government expenditure overseas of £7 million. On the other side of the account we had a net "invisible" income of £353 million, made up of £105 million from shipping, £203 million from overseas investments, £45 million from miscellaneous sources, of which insurance earnings and merchanting commissions were the main individual items. This left a net deficit of £43 million, not so large an amount as to cause us any serious embarrassment.

Our sources of invisible income have been rudely disturbed by the war. Shipping losses and the realization of foreign investments have left us much poorer in foreign-exchange earning assets; and we have run up enormous overseas liabilities. It may be estimated that, in round figures, our net invisible income in 1946 was of the order of £300 million—rather less in terms of sterling than pre-war and barely half as much in terms of goods. This has to be set against an adverse trade balance of £335 million.* The picture so far does not look too unpromising.

Overseas Military Commitments

BUT this comparison has omitted—deliberately, in order to bring the point into focus—one most important factor, government expenditure overseas. In 1936-38 the net debit on this account was inconsiderable—only £7 million. In 1946 it was immensely larger. During the war the figures ran into hundreds of millions of sterling a year, notwithstanding that much expenditure on behalf of the British Government was financed by Canada and the United States under Mutual Aid and Lend-Lease, and that expenditure of Canadian and United States forces brought substantial foreign-exchange earnings into the country. The end of the war left substantial non-recurrent expenditure to be cleared up in 1946, and a legacy of much higher and more expensive military establishments to be maintained.

This military expenditure overseas is not only one of the largest individual variables in our external position but is in a sense the critical item. And since it is determined by politics, not by economics, its vagaries must remain a nightmare to anyone who attempts to appreciate, let alone to plan, our economic future. Incidentally, if the statement given earlier of our basic objectives—to preserve the peace and to obtain our essential imports—is accepted, here is another and not unimportant aspect of their interdependence.

That is a consideration which, quite apart from its high political content,

* No account has been taken of relief shipments, free of payment or on credit, which enter into the trade figures but do not help the current balance of payments, or of certain compensating factors on the other side of the account.

should be kept firmly in the minds of Ministers and officials. Control of Service expenditure must be firmly reinstated, not in any niggling and unconstructive form, but in the form of a close and intelligent scrutiny, running right down the line from the highest levels, of the economic aspects of our strategic policy. In the past we have on occasion assumed military commitments that we were militarily incapable of implementing. Let it not be forgotten that there are also economic limitations on our strategy; that it is not enough to solve the man-power and production problems, and that our capacity to assume foreign-exchange commitments may indeed be a decisive question in the coming years.

Hard and Soft Currencies

SO far this review has been concerned with the general position. We must see how we stand, not only in relation to the world as a whole, but in relation to the "hard currency" areas of the world. It may be well to give a more exact definition of what this means. The terms "hard" and "soft" currencies are often loosely or indeed inaccurately used.

Some countries conduct all their dealings with the outside world in sterling, and hold in sterling all their external reserves. Alternatively they may be debtor countries who need all the sterling they can get to meet their commitments to the United Kingdom for goods and loan services. Such countries can, and indeed are glad to, accept sterling pretty well without limit; the only limit in fact being that they cannot accumulate cash indefinitely and sooner or later require to spend some of it on goods. These are the extreme cases of "softness" in currency.

Passing along the scale, there are those countries which, while ready to hold fairly large balances in London over a period of time, will not add to those balances indefinitely, and beyond that point require payment in some other form—probably gold or dollars. Finally there are the countries which, for whatever reason, will not hold sterling at all or, more accurately, will only hold such working balances as are needed for the day-to-day conduct of their business. Such are the United States in particular, and a number of countries of the so-called "dollar area", including Canada (with certain qualifications), Switzerland and one or two lesser ones.

We should not hold it against the United States, for example, that they will not help us out by accumulating sterling balances. They are only following our practice. We trade widely in sterling, and refuse to hold large balances in the currencies of most of our customers. On the contrary we expect them to trade with us in sterling and hold balances as necessary in London. This is no more than the United States does in relation to us.

The sum total of our dealings with any one country, in a day, a month, a year, or whatever the period, will comprise a great number of separate payments, both in and out; probably also there will be cross-payments to third countries. If, over a given period, the United Kingdom is in deficit and the country in question is a willing holder of sterling, no problem arises; the creditor simply holds a rather larger balance at the end of the time than at the beginning. If, however, the country will not hold any more sterling, the

balance must be settled in some other form, and in practice this usually means payment in gold or in United States dollars.

Hence the need for us to hold reserves of gold and dollars, to cushion both the day-to-day and the longer-term fluctuations of our external position. And hence our pre-occupation with "hard currencies".

Moreover, no currency is absolutely "soft". No country can afford to trade only with Britain—to supply us with its products and buy only those which we care to supply. And that is what absolute "softness" would imply.

This point is important in relation to the sterling area. If Britain were not prepared to supply out of its own reserves of dollars and other foreign currencies what the sterling area reasonably needs, our present ability to trade freely with the countries of that area in sterling would quickly end. They may readily keep their reserves in sterling, but they cannot and will not cut themselves off from trade with the rest of the world.

The Dollar Deficit

AS with the overall position, we can start with the trade returns. Though they are only part of the story, they are at least available in some detail. Comparison of 1946 with 1938 figures by areas reveals important and disturbing changes. There is an immense improvement in our position *vis-à-vis* the easier countries, a marked deterioration *vis-à-vis* the more difficult. The improvement is partly illusory, since the figures include the substantial shipments we have made for relief and rehabilitation purposes. Even so, there would appear to be a very marked strengthening of the British position in relation to these regions.

On the other hand, the figures for the United States and other "hard currency" countries are markedly more unfavourable. The balance against us is certainly much heavier in terms of goods, let alone of money. To some extent this was to be expected. With many of our normal sources of supply disrupted by the war, we expected to be abnormally dependent on North America in this transitional period.

The balance of visible trade is only one factor, though an important one, in our economic relations with North America. There are the invisible items—interest and dividends, freights and shipping disbursements, films and so on—on which the balance is certainly more unfavourable on many counts than before the war. That, however, is not the whole story. Those countries, the sterling area in particular, which trade in sterling look to London to supply their dollar requirements, in so far as their own direct dealings do not provide them. If these countries had no surplus sterling resources, any improvement in our account with them would indirectly benefit our account with the dollar countries. The sterling area would then have to meet its debts to us either by selling us more of its newly mined gold, or alternatively, being short of external resources, would have less to spend and would therefore make less demands on our dollars.

This was, broadly speaking, the position before the war, when our external position as a whole was balanced, though somewhat precariously. The United Kingdom then had a favourable balance of payments with the sterling

area, an unfavourable one with North America. The sterling area, to balance its account with us, sold us its newly mined gold and the dollar proceeds of its exports of tin, rubber and other raw materials. This process gave us sufficient gold and dollars to balance our own account with the United States and Canada.

Now, however, when the sterling-area countries have almost unlimited sterling resources—of the order of £3,000 million—any improvement in our account with them has little effect on their capacity to spend in the dollar countries and therefore brings no appreciable relief to our own dollar account. In other words, much of our increased export capacity is now going to repay our war debts to the sterling area (and to a lesser extent other countries) and not enough is earning us new *real* purchasing-power abroad.

This is one of the main reasons why examination of the trade figures, which at first sight seem not unencouraging, must leave one disquieted. Thanks to the American and Canadian loans, we have for the present large dollar resources readily to hand. But we may be running through them much too fast. Our dollar reserves were not published before the war (after the abandonment of the gold standard in 1931) and are not published now. We know, from the figures issued in connexion with the Washington negotiations, that they had crept up during the latter part of the war from a dangerously low to a barely adequate level—around £450 million. How they have moved since then can only be guessed. But we have the fact that up to the end of January we drew \$700 million from the American credit and \$540 million from Canada. If, as we are told, the former figure is disturbingly high, the latter, which represents nearly 45 per cent of the total available, is positively alarming. Until our relations with the sterling area and other holders of sterling balances are brought into manageable shape, this drain may continue unendurably. We have affirmed, in the American loan agreement, the intention of taking suitable means by mutual arrangement to deal with those balances within a period of twelve months expiring next July. It is clearly a matter of urgency to do so, quite apart from that agreement.

Import Requirements

THE other main reason for anxiety is the fact that our imports are at present, in volume, no more than 70 per cent of the pre-war level. It would be an interesting exercise to try to estimate the level of imports we should aim at; and oddly enough, although there has been much discussion of the target level of our exports, which after all is only consequential on our need for imports, there has been little said about imports themselves. The American loan agreement envisaged a level the same as pre-war. This may have been a rather facile assumption. Our social structure, and the distribution of wealth, have profoundly changed. As likely as not, our importing habits will have changed quite considerably. A well-thought-out policy for agriculture could materially reduce the proportion of our food that we have to draw from overseas. The war has shown what can be done in the short-term, and it remains to be seen what could be done in the long. Luxury imports, too, may well be less. But a higher standard of living generally

will mean a greater total consumption of both food and raw materials. Some observations by Ministers have indicated that the level should be set higher than before the war, although no one seems to have ventured to name a figure. If we have fixed our import standard too low, our export standard, too, will need to be raised.

The Way to Solvency

IN conclusion, what emerges? First and foremost, of course, the need for increased production. This is absolutely fundamental, and if we fail we shall fail in any worthwhile course of policy both abroad and at home.

As for the hard-currency problem and the sterling balances, we must not base our hopes of salvation only on increasing our own exports to dollar countries, or other sources of direct dollar earnings. The magnitude of our deficit in direct account with the dollar countries is too great to allow of such simple remedies. If we were prepared to cut ourselves adrift economically and politically from the United States, we might go some of the way. But what responsible opinion in this country would seriously desire or advocate such a course? Bear in mind too that, with the United States, Canada would go also, by sheer inescapable necessity.

Nevertheless dollar exports are valuable, and should be encouraged as far as is humanly possible. It is useless to think of direction of exports by government control, since this would far more likely stultify exports to other destinations than promote export to the dollar countries. But, short of direction, something valuable can be done, and undoubtedly the Board of Trade are alive to the fact.

Dollar exports, however, are really valuable only if they are continuing; to take advantage of a short-run seller's market may be easy, and may look impressive, but in the long view the dollar earnings are insignificant, and much time and energy may be wasted which could be better employed elsewhere. Why, for instance, have we bothered about exporting motor-cars to America? Our chances of keeping a foothold in that market, except for a few specialities are negligible; and those same cars exported to the sterling area might have helped to build up a continuing trade of far greater value. Obviously the more the sterling area buys its cars from us, the less it will call on us to provide dollars for American ones.

A better hope lies in following, more consciously and vigorously than before the war, the policy of developing the production and sale of those materials under our control, in the overseas Empire, which America buys. Gold, tin and rubber have been the classic instances in the past, but there are many others. These are the types of imports which America can accept in really large quantities. Three-cornered trade—where, for instance, America buys from Malaya, Malaya buys from us, and we from America—has some prospect of success; bilateral trade, whereby we sell to America enough to pay for what we buy, has none.

Does this expose us uncomfortably to a possible American slump? Very possibly. But short of putting a *cordon sanitaire* round the United States, and of devising a closed economy for ourselves and such partners as we can find

to join so doubtful an enterprise, we have to face this risk. Some measures can be taken to guard against it, or forestall it. Some protection may be given by the International Monetary Fund if it comes into effective operation. In essence, however, it is a matter of choosing between a course which, notwithstanding its risks, *can* succeed, and one which can only offer prospects at best of mediocre comfort, and at worst of political and economic disaster.

Meanwhile we need to look much more closely at our import policy. How far are our rulers prepared to be constructive—to encourage positively the import of more machinery, the purchase of foreign patents and so on, which can enhance the efficiency and productivity of our industry? Or will they merely practise one of the worst forms of cheeseparing, the exclusion of foreign machinery and foreign ideas whenever some more or less adequate substitute can be unearthed at home? There are too many signs of the latter, too few of the former, type of planning. We cannot prosper on an *ersatz* economy.

These problems have to be tackled without delay. Our domestic prosperity depends on our success in restoring our external position, and time is against us. Ministers are too pre-occupied with long-term political issues and cannot give current administration the time and attention it demands. Nor can their officials, who are over-burdened with new legislation. Meanwhile the country's economy suffers. The neglect of good administration has become almost universal. In one respect a spell of bad weather has brought it catastrophically to light: in others it acts as a cumulative poison. What Britain needs is to be allowed to get on with to-day's questions and to take to-morrow's in their proper sequence.

Finally, let us have less secrecy and more frankness about these fundamental issues. If a democracy is to take an intelligent interest in governing itself, it must have the data on which to form its judgments. The ordinary man, when confronted, apparently out of the blue, with a foreign-exchange crisis, is merely resentful. It is not much better to serve him periodically with selective and carefully predigested statistics in White Papers. The British people have shown what they can do in face of difficulty or even disaster if they know the reasons clearly.

We can see much to alarm us ahead, and perhaps a little to encourage. To succeed, we need sound nerves and above all good leadership. If an economic Dunkirk threatens, must we wait till it overtakes us before mobilizing our national energies, or can we forestall it? It would be a tragedy if through lack of courage and sense of proportion in high places we failed in an undertaking on which depends the well-being of so many, in these islands and elsewhere.

THE UNITED STATES OF INDONESIA

By a Netherlands Correspondent

THE article on the Netherlands-Indonesian situation in THE ROUND TABLE of last March concluded with a reference to the proposals which had been put forward on February 10, 1946, on behalf of the Dutch Government by the then Minister of Overseas Territories, Professor Logemann. Although they amounted to a big step forward from the position taken up after the crisis created by the formation of the Republic when Japan collapsed, subsequent developments were to show that the Netherlands had to proceed still farther on the road of concessions.

In February 1946 the Dutch Government was not yet prepared to recognize the Republic, which it had at first regarded as an "incident" of Japanese fabrication. It still looked upon the Republic as the negation of democratic principles and the rights of the majority of the Javanese and Sumatran peoples—outside Java and Sumatra the Republic was not even *de facto* in possession—and as existing by the terrorism of an extremist minority. The proposals provided for a régime of far-reaching autonomy "within the Kingdom", which meant that the Republic's claim to sovereignty would have to be abandoned; with the proviso, however, that after a period of five years the peoples of autonomous Indonesia would be given the opportunity to decide, with unqualified freedom, their future status. In other words, while the Dutch Government admitted the Indonesian claim to self-determination, they considered that the conditions for a genuine expression of opinion could be brought about only by the preliminary restoration of democratic law and order under the auspices of the Kingdom.

These proposals came near to leading to a settlement. Much was already gained when Mr. Shahrir, the Prime Minister of the Republic, proved able to accept them as a basis for negotiation, even though he made it clear from the start that the Republic could not be abandoned. This highly cultivated Indonesian leader undoubtedly realizes the need of some form of co-operation with the Dutch, and with that object in view has been doing his best, all along, to strengthen his control over the extremist forces on his own side. Soekarno, the President of the Republic, who was at first regarded by the Dutch with particular suspicion and dislike as a Japanese collaborator and tool, was gradually seen to be working with Shahrir.

The early stage of the negotiations, which began on March 13 in Batavia in the house of Sir Archibald Clark Kerr, now Lord Inverchapel, who acted as chairman, was accompanied by several moves on the part of the Indonesians calculated to raise the hopes of an understanding. Extremist leaders in the Republic were arrested, and a serious beginning was made with the evacuation of Dutch internees, of whom scores of thousands of men, women and children were still living in camps in the territory over which the Republic held sway. On the Dutch side, too, opinion was moving. Early in

May, after an exchange of views in Holland with Republican delegates who had come over for the purpose, Professor Logemann made a statement in the Dutch Parliament to the effect that the state of feeling in Indonesia would necessitate a recognition of some sort of republican government within the framework of the Kingdom. Parliament subsequently approved this statement.

Netherlands Opposition

IT is small wonder that there was a good deal of bitter opposition. Distrust of the Indonesian leaders and of their ability to make good their promises in the face of extremist unruliness was widespread; the returning evacuees with their tales of woe, their stories of the confusion reigning in "the so-called Republic", their resentment at what was to them the incomprehensible attitude of the British, exercised a considerable influence over public opinion.

The Government at The Hague which had been formed shortly after liberation, when there was no means of testing public opinion in the ordinary way, was a progressive one; its leading members, including the Prime Minister, Professor Schermerhorn, were members of the Socialist party. Later the old pre-war Parliament (a general election being still impracticable) was called together, and there the Conservative parties, "Liberals" and Protestants—"Anti-Revolutionary" and "Christian-Historical" parties—made themselves the spokesmen of these criticisms. The Government, however, retained the support not only of the Socialists but also of the Catholics. The latter group, numerically very powerful, occupied a middle position and made it necessary for the Government to proceed with caution.

It may have been due to this that the negotiations of the early summer of 1946, which at one time looked so hopeful, failed in the end. The Republican negotiators had receded from their original claim that the Republic was to be recognized as extending over the whole of Indonesia; it was in fact an untenable claim, since Dutch authority had been fully re-established in all the islands outside Java and Sumatra, and conditions in the last-named island were in a state of utter chaos. The Republican Government nevertheless clung to its claim to Sumatra as well as Java, and it was among other things the refusal of the Dutch to recognize it in Sumatra which brought about the rupture.

In the Indonesian counter-proposals of June 1 the basic idea of the declaration of February 10—an autonomous structure, which might, however, in accordance with the further declarations of May, be called a Republic, within the framework of the Kingdom—was abandoned, and the suggestion was put forward of an alliance between two sovereign States. This was considered unacceptable on the Dutch side, and the negotiations came to an end.

A Conciliatory Policy

AT the same time the general election in Holland, which had at last been held, weakened the position of the Socialists. In trying to win over *bourgeois* elements by emphasizing their character as a Labour party after the English pattern, they lost heavily to the previously unimportant Communists, who

obtained 10 seats against the Socialists' 27 out of a House of 100. As a result, the position of the Catholics, who obtained 32 seats, became even stronger. The new Government, based on a Socialist-Catholic coalition, and under the chairmanship of a Catholic, Mr. Beel, nevertheless continued the conciliatory policy of the old, and was indeed in a better position to do so, being able to claim, so long as the coalition held, that it had a mandate from the electorate. Mr. Jonkman, who replaced Professor Logemann at the Ministry of Overseas Territories, belonged, like his predecessor, to the Labour party.

Under the Schermerhorn Government Dutch military forces in Indonesia had already been energetically strengthened. When the crisis first broke out none had been available. Now that there was a regular Parliament in being the Constitution was altered, with the assent of all parties except the Communists, sanctioning the sending of conscript troops out of the country. Gradually that policy began to bear fruit. In November 1946, 47,000 Dutchmen were stated to be serving with the colours in Indonesia.

The Conference of Malino

MEANWHILE, Governor-General Van Mook was quietly beginning to organize the new régime in the islands outside Java and Sumatra, where on July 1, 1946, the Allied Commander-in-Chief had handed over complete responsibility to the Dutch. At Malino, on Celebes, a conference of delegates from these regions was held under Dr. Van Mook's chairmanship.

It goes without saying that every word spoken in criticism of the Republic and not absolutely consonant with its policy was denounced by Republican propaganda as proof that the conference had been packed, that the speakers were mere puppets of the Dutch, and so forth. There is no doubt, however, that the delegates had been selected in an honest desire to have all sections represented, and that the discussion was entirely free. In fact, to Dutch Conservatives, who had always boasted of the loyalty of these populations, it was rather disconcerting to notice that the general trend of opinion at Malino went far beyond the measures of autonomy which it had been thought would satisfy them.

Yet on the whole the conference certainly meant an enormous strengthening of the moral position of the Dutch. In spite of the obvious sympathy with which the Republic of the Javanese was regarded and the spirit of emulation that it aroused, the claim of the Republic to embrace the whole of Indonesia in its unitary constitution, which would have ensured Javanese ascendancy, was decisively repudiated; it was also clear that friendly co-operation with the Dutch was still prized. Several areas were in favour of the maintenance of the Kingdom, and the prevailing opinion was for sovereignty linked up in some way or other with Holland. In the end it was decided that a United States of Indonesia should be set up (Java and Sumatra, Borneo, and the Great East, that is, Celebes, the Moluccas, the smaller Sunda islands and New Guinea); pending the organization of this new structure, the Kingdom was to be preserved; once it was in being, the relations between it and Holland were to be discussed at an Imperial Conference.

Fresh Negotiations

THE British had withdrawn from the outer islands; the moment was approaching when they were to recall their troops from Java and Sumatra as well; November 30, 1946, had been fixed as the date by which the last British or British-Indian soldier was to leave and the Dutch were to take over. Even before the conference of Malino was opened the British had tried to end the deadlock by suggesting the reopening of negotiations between the Republicans and the Dutch under their own mediation. The proposals of February 10 had by now vanished into the limbo of still-born creatures, and an entirely new start would have to be made if a trial of strength by arms were to be avoided.

On both sides there appeared a willingness to attempt such a new start. Undoubtedly the conference of Malino was making an impression on the saner minds among the rulers at Djocjacarta, and they regretted the guerrilla warfare which was creating a more and more ungovernable temper in their armed forces. In Holland the new Government prepared for the negotiations by obtaining from Parliament—Socialists, Catholics and Communists voting against Liberals and the two Protestant parties—a law constituting a Commission General of three—including Professor Schermerhorn, the late Prime Minister, as chairman—to conduct, in conjunction with Dr. Van Mook, the negotiations required for a settlement "within the framework of the Kingdom".

When the Dutch Commissioners met Mr. Shahrir and his colleagues, under the presidency of Lord Killearn, the first step was to arrange an armistice, which was, of course, essential for the creation of a better atmosphere; promises were also obtained that the remaining Dutch internees in the interior (still a good many thousands) were to be evacuated. The negotiations led to an agreement which was signed at Linggadjadi on November 16, 1946.

The first reaction in Holland when the details of the document became known was a gasp of astonishment. Even in Government circles it was thought that the Commissioners had allowed themselves to be carried away by their desire to effect a reconciliation with Indonesian nationalism. The Conservative opposition denounced the agreement as running counter to the condition which had been laid down by Parliament: "within the framework of the Kingdom". The Commission General was accused not only of having exceeded the Queen's declaration of December 7, 1942, which had been supposed to govern all the various proposals emanating from the Dutch Government and which had spoken of reforms within the fabric of the Kingdom, but, indeed, of having violated the Constitution and disrupted the realm.

It was asked how the Catholic member, Mr. Van Poll, who had always publicly insisted on observance of that condition, could have set his hand to an instrument of this description, and it was expected that the Catholic party would refuse to ratify the agreement and that the Government would fall. In the end, however, the Catholics, with one single exception, voted

with the Socialists and the Communists, and the agreement was ratified by a majority of 65 against the Conservative opposition of 30. But this result was achieved only by "interpretations" of the agreement, intended to keep open the possibility of obtaining further safeguards in the course of the negotiations which are still to be held on the practical working-out of the Linggad-jati document.

The agreement does not in fact contain more than the barest outlines of the future constitutional relationships; a further complication is that the minutes of the discussions held between the two delegations are taken as forming an integral part of the agreement.

The Linggad-jati Agreement

THE agreement opens with a preamble, in which it is described as an act of pacification, seeking to lay a foundation of mutual understanding, trust and co-operation by indicating certain outlines of a projected new partnership. The Government of the Republic is recognized by the Netherlands as being in *de-facto* control of Java, Madura and Sumatra. The two Governments declare that they will co-operate for the establishment at an early date of a sovereign, democratic and federal State, to be called the United States of Indonesia. The component parts are to be the Republic, Borneo, and the Great East. At the same time it will be possible for nationalities provisionally included in one of these three States—such as the Sundanese, Ambonese, Bataks—to claim a separate position within the federation, or a special relationship with the U.S.I. and the Kingdom.

The Kingdom, by which term had hitherto been understood the Netherlands *plus* the overseas territories, is now to be "transformed" into a Netherlands-Indonesian Union, which, under the crown of Queen Wilhelmina and her descendants, is to combine the "Kingdom" (new style), consisting of the Netherlands, Surinam and Curaçao, with the United States of Indonesia.

The Constitution of the U.S.I. will be drawn up by a constituent assembly of representatives of the Republic and the other component parts. The Statute of the U.S.I. will be framed by a conference of representatives of the Kingdom (new style) and the U.S.I. It will have to be ratified by the respective representative assemblies.

The Netherlands Government and the Republican authorities will do their utmost to have the reforms accomplished before January 1, 1949. As soon as practicable the armed forces of both contracting parties will be reduced, after due mutual consultation. Thereupon the portions of the Republic now occupied by Dutch troops—in fact all the more important coastal towns—will be incorporated in the territory of the Republic.

Differences arising during the period of transition will be resolved by consultation and, if necessary, by arbitration.

The Outlook

THE agreement of Linggad-jati has not put an end to the Dutch-Indonesian crisis. Even its supporters admit that there are still troublous times ahead. Much has been left to be settled in further discussions. Even so important

a problem as that of the powers to be exercised by the Queen as head of the N.I.U. is still entirely unsolved. The Dutch signatories have proceeded on the assumption that there is among the Indonesians a party who are sincerely anxious for co-operation and whose hands will be strengthened by a full recognition of Indonesia's new-won dignity and equality. Their signing has been an act of faith. Whether this will receive applause at the hands of history or be met with ridicule and reproach depends on the view one takes of the strength of Indonesian nationalism and its ability to cope with the practical problems confronting it.

With Dutch Conservatives it is a settled conviction that the Republic maintains itself only by force and that the large masses of the people in Java, as elsewhere, would respond to a firm policy on the part of the Dutch, realizing that only they can ensure, as they did in the past, order and even-handed justice among the different classes and national groups. To them the idea that a policy of concessions can ever lead to stability is an illusion. Not only do they paint a frightful picture of the confusion and decay prevailing in the Republican area, but they are confirmed in their scepticism by the undeniable fact that the armistice is continually being violated, and by the reckless statements breathing anything but reconciliation which ever since the agreement have been uttered by Indonesian leaders. Shahrir may be a well-meaning person, and Soekarno not so black as he used to be painted, but will they be able to control their extremist followers?

On the other hand, opinion on the Left is no less firmly convinced that a policy of "firmness" will lead straight to a "colonial war", and that from such an adventure nothing but evil can come. They charge their opponents with blindness to the facts in Indonesia and in the world. The great forces of Asiatic nationalism, they argue, cannot be met either by tinkering with measures of reform or by violence. Fortunately in Indonesia there are still elements of reasonableness and of friendly feeling for the Dutch, whose civilization has after all profoundly penetrated Indonesian society and ways of thinking. Moreover, the Republican Government is conscious of its inability to deal satisfactorily with the enormously complicated technical and economic problems which are inseparable from a highly modern society such as had been growing up under Dutch rule, and they are anxious to make use of Dutch capital and Dutch expert knowledge. Gratify their national sentiment, and it is still possible to envisage a future in which the two peoples, on a new footing, will work together for the advantage of both.

There is something in this argument which appeals to business interests as well as to democratic and internationalist idealism. As a result of the agreement, a mixed commission will be set up to see to the restitution of property rights of non-Indonesians within the territory of the Republic. No restriction is made with respect to key industries, the nationalization of which was nevertheless from the beginning a point on the Republican programme. Maybe this is the "good price" which Shahrir in October declared himself to be willing to pay for liberty.

It would be rash to prophesy as to the prospects. The agreement has not

yet been ratified by the Republican Assembly, although important groups have declared themselves in favour; and, while in The Hague ratification was accompanied by "interpretations", in Djocjacarta these were expressly eliminated. The continued violations of the armistice are another danger symptom.

Meanwhile, developments outside Java and Sumatra look distinctly promising. The State of the Great East has actually been set up, and a Prime Minister, a native of Celebes, has been chosen by the representative Assembly. Almost immediately after entering upon his office he flew to Holland, where he was received by the Queen and had interviews with the Minister of Overseas Territories and other members of the Cabinet.

Postscript

Since the above was written, things have taken a turn for the worse in Java. The "interpretations" of the Linggadjati agreement which were attached to its approval by the Dutch Chamber, not only in the speech of the Minister of Overseas Territories but also in the motion of the majority parties by which that approval was given, are now considered by the Republican Government to constitute a bar to their ratifying the agreement. Comment on this announcement shows opinion both in Holland and in Indonesia to be very much divided as to its significance. It will in any case cause delay in the signing of the document without which the hoped-for *détente* can hardly materialize, although some people still regard it as possible, or even probable, that a new exchange of views will clear up what is described on behalf of the Dutch Government as a misunderstanding.

It is also observed, however, that there seems to be a recrudescence of extremist opposition to Shahrir, who is still apparently working for reconciliation. Altogether the outlook is more uncertain than ever. Nevertheless, as both sides are so obviously reluctant to face a rupture and a trial of strength, one may hope that some formula will be found to safeguard the prestige and sentiment of the Republicans without surrendering the guarantees which the Dutch Chamber has expressly and deliberately pronounced to be indispensable.

SOUTH AFRICA AND THE UNITED NATIONS

THE Union of South Africa suffered two blows to its pride during the Session of the United Nations at Lake Success. The first came when the General Assembly rejected General Smuts's application for the incorporation of South-West Africa in the Union: the second, when the Indian Delegation not only secured a debate upon the treatment of Indians in South Africa, but also obtained sufficient support to pass a resolution asking the Governments of India and South Africa to report to the next General Assembly on the measures they had taken with regard to the treatment of Indians in South Africa.

South-West Africa

THE first episode may be dealt with quite briefly. As is well known, South-West Africa has been administered by the Union since the Treaty of Versailles under a "C" Mandate, which authorizes this country to administer the former German colony "under its own laws as an integral portion of its territory". The Mandate, it should be noted, was granted not by the League of Nations, which was not then in existence, but by the Principal Allied and Associated Powers (Great Britain, France, Italy, Japan and the U.S.A.) in whose favour Germany had renounced all right and title to her overseas possessions. The only deduction from virtual sovereignty was the undertaking to make an annual report to the League and submit to criticism of that report.

In pursuance of the Mandate the administration was very closely assimilated to that of the Union. The public, railway and police services were in fact unified. Union nationals having flocked in, the European population is now mainly non-German. The desire by both parties for complete absorption is therefore natural and proper. On the death of the League of Nations it was open to General Smuts, had he so wished, to incorporate the Territory by single-handed action. Instead, as a constitutionalist, he preferred to submit the Union's plea for incorporation of the Territory to the United Nations.

In support of his plea, General Smuts was able to produce a unanimous resolution of the Legislative Assembly—a purely European body—passed in May last, in favour of incorporation, and the results of an informal referendum of the natives, which indicated that 208,850 were in favour of incorporation, 33,520 were against, while the views of some 56,000 could not be ascertained.

General Smuts's request, however, was rejected so decisively by the United Nations Assembly that rejection must have been inevitable. The rejection has been taken calmly because it makes no practical difference to the situation. It is unthinkable that any other State should be granted the administration, for the simple reason that no other State could desire the

administration except, following the example of Germany, as a base for an attack upon the Union. Integration can still be pursued to the farthest point, to the extent, for example, of admitting representatives of South-West Africa to the Union Parliament. General Smuts has, however, signified the Union's readiness to submit reports on the Territory to the Trusteeship Council.

Ulterior Motives

WHAT did arouse resentment was the source of the main criticism—India and Russia—and the production of general charges of ill treatment of natives, many of them entirely baseless. At one time it seemed that the progressively more liberal native policy towards which the Government is cautiously feeling its way might suffer a serious set-back as a result of these misrepresentations and the support given to them by certain emissaries from the Union. That this result has been averted speaks volumes for the improvement in public morale on this delicate subject, and for the sound judgment of such leading champions of the natives as Mr. Rheinallt Jones, a former Senator representing the native people, who roundly condemned the campaign of misrepresentation. Since native affairs in South-West Africa will be administered by the Union, whether or not incorporation should take place, it was obvious that the campaign against incorporation was not concerned with that Territory but was framed from ulterior motives as a general indictment of the Union, for which General Smuts's application served as an opportunity.

In spite of this, a number of leading journals have drawn the moral that South Africa should examine its conscience in regard to the 8,000,000 natives in its care. And it cannot be denied that many prevailing views are too antiquated to bear examination.

At this very moment, for example, a conflict is raging between the Government and the building trades unions over the Government's proposal to train natives as building artisans for the purpose of overcoming the shortage of native housing. When members of one union were appointed as instructors, they were peremptorily ordered by their union to resign, and felt obliged to do so. Apparently the Government means to stick to its guns and it has now obtained the necessary instructors. But the incident sheds light upon the attitude of some of the European trade unions towards native workers. Their determination to retain existing economic privileges, though springing no doubt from fear of unemployment, none the less coincides with and reinforces the belief of the more backward Nationalists that the native, as the descendant of Ham, is intended by Divine law to be a hewer of wood and drawer of water.

The Indian Problem

THE United Nations resolution in regard to the Asiatic Land Tenure and Indian Representation Act, passed in the last Session,* raises much more serious issues—issues which affect the prestige of the United Nations

* See THE ROUND TABLE for June, 1946, p. 287.

even more than that of the Union. In its original form the resolution tabled by the Indian Delegation read:

"that the treatment of Indians in the Union should be in conformity with the international obligations under the agreements concluded between the two Governments and the relevant provisions of the Charter."

When this came before the Steering Committee, General Smuts pointed out that the Indians referred to were not Indian nationals but Union nationals, and that the matter was therefore essentially one of domestic jurisdiction, which is excluded from the province of the United Nations by Article 2 (7) of the Charter. In addition, the alleged international obligations were not specified, nor have they been elucidated to this day.

The problem, however, was referred to the Legal and Political Committees, Mr. Vishinsky (Russia) making the astonishing statement that "Indian nationals are being robbed of their rights". Weeks later, before the Joint Legal and Political Committees, Mrs. Pandit, as leader of the Indian delegation, had the acumen to drop her own proposal in favour of a French-Mexican proposal, the full text of which runs:

"The General Assembly, having taken note of the application made by the Government of India regarding the treatment of Indians in the Union of South Africa, and having considered the matter: first, states that, owing to that treatment, friendly relations between two member States have been impaired, and unless a satisfactory settlement is reached these relations are likely to be further impaired: second, is of the opinion that the treatment of Indians in the Union should be in conformity with the international obligations under the agreements concluded between the two Governments and the relevant provisions of the Charter: third, therefore requests the two Governments to report at the next Session of the General Assembly the measures adopted to this effect."

This resolution, which is rather stronger, as well as more verbose, than its predecessor, was carried, after a confused debate, by 24 votes to 19, and was subsequently confirmed in the General Assembly by 32 votes to 15, with 7 abstentions.

A Domestic Issue

GENERAL SMUTS'S contention throughout was that the complaint was excluded by Article 2 (7), but that, as a difference of opinion existed, the question whether this Article had that effect should be referred to the International Court of Justice. He went so far as to suggest that the scope of the reference should be extended to include facts, as well as law, and that in order to establish the facts the Court might send a Commission to South Africa. In his contention he had the full support of the British Attorney-General, Sir Hartley Shawcross, in a brilliant speech, and of the United States delegate (Mr. Fahey), who also emphasized that the resolution, if agreed to, would constitute a decision that international obligations do exist between the two Governments, whereas the existence of such an obligation is in doubt.

It was of no avail. Reason had lost its sway, and emotion, personified in Mrs. Pandit, a born orator, swept the Assembly away. It is of some interest

to record that, of the Caribbean and Latin-American States which make up so large a proportion of the voting strength of the General Assembly, Chile, Colombia, Cuba, Dominica, Guatemala, Haiti, Honduras, Panama, Uruguay and Venezuela voted for the resolution; Argentina, Brazil, Costa Rica, El Salvador, Nicaragua, Paraguay and Peru voted against; while Ecuador and Bolivia abstained. Strangely enough, Australia also abstained. What carried the day was the solid block of votes controlled by Soviet Russia. In view of the fears expressed in the Union that the result foreshadowed a coalition of non-White against White nations in the United Nations, this analysis is not without value.

Legally speaking, General Smuts's view of the position was uncontestedly right. Article 2 (7) says flatly that

"Nothing contained in the present Charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any State, or shall require the members to submit such matters to settlement under the present Charter."

The mere fact that other Articles permit the discussion of matters which may or may not, according to circumstances, fall within this description cannot limit the prohibition where it applies. The complainants being Union nationals, the complaint, although actually brought by the Indian Government, is clearly a matter of domestic jurisdiction. The highest claim that could be made was that the various Articles of the Charter are inconsistent and require interpretation. In that event the proper body to resolve the inconsistencies is a Court of Law, and the International Court exists for this very purpose.

The debate showed very clearly that both the Indians and the Russians appreciated that argument and realized that it could not be met by direct approach. They therefore side-stepped it throughout. Mr. Justice Chagla, for example, said that it would be fatal to allow the International Court of Justice to be dragged into politics, without explaining how it can operate at all, if not in the political arena. Mrs. Pandit said: "It is too late now to argue that fundamental violations of the principles of the Charter are matters of domestic jurisdiction of member States"; but she did not offer any interpretation of Article 2 (7) which would justify the Assembly in by-passing it. Mr. Vishinsky (Russia) said that the Union had tried to shift the matter from a political level to a legal one, and passed on without attempting to show that the Union was wrong in doing so. He was concerned chiefly with Indian grievances dating back to 1904, and pointed to the Cape Town Agreement of 1927 as proof that international obligations were at stake.

A Painful Impression

THIS conspiracy to becloud the case for the defence with irrelevant rhetoric has made a painful impression upon all sections of opinion in the Union. Many who are prepared to admit that the Indians have not always had a fair deal in South Africa still feel that the Union's representatives were entitled to fair play, and did not receive even ordinary courtesy. The soreness was

accentuated by the fact that not one opponent thought it worth while to refer to the grant to the Indians by last year's Act of representation in Parliament—a forward move which no one would have thought possible a few years ago—and that the communal representation accorded to 250,000 Indians was generous in comparison with that of nearly 8,000,000 natives. Nor did the Indian delegates mention that economically, in spite of minor restrictions, South African Indians are infinitely better off than their cousins in India. As the Union Memorandum remarked:

“The immigrant descendants of the ‘Scheduled Castes’ of India have achieved on South African soil a standard of freedom from want and fear that their compatriots in India have never attained.”

The practical failure of efforts to induce them to return to India shows that they appreciate the fact.

Among General Smuts's supporters there is some tendency to blame lack of adequate publicity for what he has called the “unbelievable misunderstanding about race and colour conditions and their handling in South Africa”. But in the time available no propaganda could have coped with the flood of misrepresentation which was transferred from Durban, via Delhi, to Lake Success. “From the hasty consequences of this emotional flood”, says General Smuts, “only time, patience and further thought can save the Organization.”

Will these be forthcoming? If not, it is plain that the United Nations must suffer shipwreck on the rock of minority complaint. Few countries in the world are without their minority grievances, and if the Assembly undertakes to listen to them all, at the instance of other Powers who happen to take an interest, the position must become chaotic. More, it must become dangerous to peace.

The United Nations was founded to establish world peace. Is it to become a cockpit from which national rivalries will emerge freshened and sharpened? What will happen if at the next session Liberia demands an investigation of the lynching of negroes in the United States, or Great Britain demands an inquiry into the fate of the hundreds of thousands of Estonians and Latvians deported without trial to Siberia? These and similar questions have been widely posed. General Smuts's supporters feel, broadly, that although their leader has received a public snub, at the hands of a body he was largely instrumental in creating, it is the prestige of the United Nations rather than that of South Africa which has suffered.

The Nationalist Attitude

THE attitude of the Opposition parties followed the lines that might have been expected. Certain sections demanded that the Union should cut itself adrift from the United Nations before worse should befall. The leader of the official Opposition, Dr. Malan, began by saying gloomily that “the condemnation of the world has fallen on our necks, and the future of our white race and our western European civilization is at stake”. Later, however,

he adopted a more reasonable line. In a by-election speech he declared that the Nationalists would stand behind General Smuts, if he would treat South-West Africa in such a way that there would be no difference whether the Territory were incorporated or not, and if he declined to report to the United Nations as required by the resolution. If he did so report, they would oppose him tooth and nail, because that would mean that South Africa agreed to external interference in her own domestic concerns. Rather than submit to that, the Union should withdraw from the United Nations.

In the four days' debate in the House of Assembly, beginning on January 21, Dr. Malan demanded that the Union should "give no effect" to the request that South-West Africa should be placed under United Nations trusteeship; that the territory should be granted a status equal to that of the provinces of the Union, with representation in both Houses of Parliament; that the Government should decline to confer with the Government of India upon the Indian question, except with the object of having the Indians removed; that the grant of representation to Indians should be withdrawn as "undesired and futile"; and that a joint committee should be set up to devise a comprehensive policy for dealing with the coloured problem in all its aspects. Extreme as they were in some respects, these demands fell far short of those made earlier by his more intransigent supporters. In particular, he studiously refrained from advocating that the Union should cut adrift from the United Nations.

The Position Unchanged

IN his reply, General Smuts announced that the Government would report to the United Nations that South Africa was unable to make a proposal for trusteeship in respect of South-West Africa, though it was willing to make available reports on its administration. "We are simply going to say that it is impossible to submit a draft proposal which would ignore the wishes of the people." In effect, the position will remain unchanged. With regard to the Indians, the Prime Minister did not specify what steps he proposed to take in response to the General Assembly's request that the two Governments should report at its next session the measures adopted to keep the peace. The Indian Government has stated that it is awaiting the first move from South Africa. General Smuts does not intend making such a move, and his statement that the Asiatic Land Tenure Act—the main bone of contention—must stand rules out any productive negotiation.

On the two main issues, therefore, the Prime Minister found himself in agreement with the Opposition, and the debate fizzled out with the adoption of an amendment from the Government benches approving of his conduct of the discussions from first to last.

South Africa,
January 1947.

CONSCRIPTION AND THE NATION

THE SOCIAL IMPLICATIONS OF COMPULSORY SERVICE

THE slow response to the drive for voluntary recruits for the Services and the slow reduction in our international commitments have forced the Government to decide that the present temporary scheme of conscription will have to be given a further lease of life. However temporary the extension may be made to appear, it will in fact mean military conscription in peace. Even under the present scheme, the Forces will be partly conscript until June 1950. Whether called permanent or temporary, it will become part of the pattern of the nation's peace-time life. As such it must fit into its proper place, and full consideration must be given to its reactions upon those other parts of the pattern, our industrial, educational and social life, over some of which it was possible to ride somewhat roughly during a state of emergency.

The Task

CONSCRIPTION can never be a substitute for the voluntary recruitment of long-service Regulars. They are complementary methods of providing the forces needed under arms at any one moment and the necessary reserves capable of rapid embodiment. In 1938 the three Services with voluntary recruitment numbered 335,000; and by January 1939 this had been raised to 470,000. It is not the task of this article to assess our future military needs. But it is widely accepted that for some years our commitments will need a standing force of not less than 750,000 men in the three Services and at least a million in the immediate future. It seems unlikely that voluntary recruitment will produce more men than in 1939. Indeed it will take a vast improvement in recruiting even to approach the 1939 figure.

A single age-group in the next few years will contain about 300,000 young men, of whom some will be medically exempt and some will be excused military (but not other) service on grounds of conscience—an essential feature of any conscription scheme in Great Britain. It is necessary to assume deferment in certain cases; but over a period new deferments will be balanced by the termination of old. An age-group might thus produce some 250,000 conscripts. To reach the target of 750,000 men, including Regulars, the period of conscription could not be less than a year. But this would assume that voluntary recruits exceeded the numbers in 1939. It seems that the period can certainly not be less than eighteen months.

At the end of his period of compulsory service a man will be expected to undertake compulsory periods of reserve training, possibly as a member of the Territorial Army or the Reserve of the Navy or Air Force. Apart from the voluntary Territorials who would provide the long-service officers, N.C.O.s and technical specialists, the Territorial Army and other Reserves might contain one million men or more, according to the length of service required. The necessity and implications of service in the Reserves have

attracted less attention than the fact of conscription itself, but it is an inescapable corollary.

In order to consider the social implications of conscription it is necessary to make some assumption about the normal age of conscription. Whatever the age may be, provision for deferment on grounds of personal hardship will be necessary. But, in order to preserve the justice, both real and apparent, without which no scheme will be thought tolerable, exemption will be given only on grounds of medical unfitness and of conscience. There can be no easy way of doing or of compounding compulsory military service.

There are arguments, mainly on educational grounds, for fixing the age at either 18 or 21 or 22. But it could serve no useful purpose to balance the contentions against one another. To raise the age from 18 to 21 (and the arguments are against any intermediate age) would compel the country to forgo the greater part of three age-groups which, *ex hypothesi*, it cannot afford to do. There would be virtually no calling up, except of those previously deferred, for three years.

In discussing the social implications of conscription, we must then have in mind a scheme in which the young man will, unless he obtains deferment or exemption, be called up soon after he is 18 for compulsory military service over a period which is unlikely to be less than eighteen months. He will then have to undertake further periods of compulsory military training during the next four or five years of his civilian life.

The Industrial Implications

IN June 1939 our total occupied population was 19,750,000, of whom 477,000 were in the Forces, 1,270,000 engaged on supplies for the Forces, and another 1,270,000 were unemployed.

In 1951, which is the most convenient target date, some of our pressing immediate shortages should have been overcome, and our working population may be half a million more than in 1939. But additional men for the Services will not be the only debit against that, and there may be compensating credits too. More man-power is needed for building and export. If, as may be hoped, the school-leaving age will by 1951 have been raised to 16, there will be a further severe drain on our man-power. On the other hand, by comparison with 1938 there may be markedly fewer employed on munitions or unemployed. If all these items are balanced, the needs of conscription included, then production for the home market, together with commerce, finance and services, may have to make do in 1951 with between a quarter and half a million fewer men and women than in 1938.

But against this must be set the long-term increase in productivity which past history leads us to expect. This may not be very noticeable from year to year. But there is no doubt that it continued throughout the war, and the check which has been experienced since is, let us trust, only temporary. Over the period of twelve years from 1939 to 1951 the extension of the normal trend of increased productivity *with the same hours of work* would be more than sufficient to wipe out the net reductions in man-power discussed above.

From an industrial point of view, therefore, conscription may not neces-

sarily mean a reduction in our standard of living. It may mean only a temporary withholding of a rise to a standard above that of 1938. This has two lessons. First, the implications of conscription are not only personal to the conscript and his family and his friends. They touch us all through our pockets and our comfort. Secondly, conscription must compete for man-power both with our material aspirations and with our demands for greater leisure. Whether we can have all three in the next few years depends upon productivity; and that in turn depends upon hard work, technical advances and managerial ability.

The industrial implications are not confined to the direct influence of conscription upon the man-power available. For the sake of argument, it may be supposed that the country is prepared to forgo some improvement in its standard of living to meet our defence commitments.

But industry may well point out that the country is adopting a very extravagant method of meeting those commitments. The extravagance will in some cases be so manifest as to reduce the acceptability of the scheme and especially of the reserve training. In June 1945, before the demobilization scheme had made any inroad into the numbers in the Forces, about 1,200,000 in the age-groups 20-29 were still civilians. In other words, in every age-group about one-third of the conscripts would not be called up in an emergency. Three men would have to be trained for every two soldiers in the order of battle. This is an unfortunate but essential concomitant of a fair conscription scheme, since exemptions at the age of 18 according to occupation would not be fair. It may be possible to distinguish, even then, the future skilled craftsman in the shipyard. But the even more important physicist may not yet be marked out. This kind of waste may be more obvious during the period of reserve training, when the reservist will probably already have taken up the work in which he will remain for years. It may be difficult to persuade him that it is his national duty to spend a fortnight a year driving a tank when his war station will be making boots for the infantry. Laws must seem reasonable; otherwise they not only fall into neglect but result in evasion with relative impunity.

A final industrial concomitant of conscription deserves to be mentioned. A Government deciding upon a permanent system of conscription will have to decide also upon the future of the Reinstatement in Civil Employment Act. There were sound psychological grounds for this Act during the war. But it has not proved altogether easy to work in practice, although potential difficulties have been eased by goodwill on both sides and by an extreme dearth of man-power. It is true that in peace-time there will not be the anomaly of the office boy who returns as a brigadier. But if called up at the age of 18 the conscript will leave as a youth and return as a man. When the full provisions of the Education Act are in force, his industrial experience will be limited to two years of part-time employment.

The Educational Implications

CONSCRIPTION will affect two important types of education. The calling-up age of 18 comes in the middle of the usual apprenticeship course, and it may be assumed that ordinarily deferment will be granted for the

period necessary to complete the course. The same arrangement will no doubt be made for other forms of full-time technical and professional education. For the boy who is going on to the university, conscription will come when he leaves school and he will go to the university when he is discharged to the Reserve. The average age of undergraduates will thus be substantially increased.

We shall be concerned later with the implications of the fact that all those receiving some further education after the age of 18, craftsmen and professional men, will begin to earn a man's wage nearly two years later than they do at present. Here we are concerned with the effect upon education.

It is vitally important that the potential conscript should be left in no uncertainty about his calling-up or his deferment, as he frequently is at present. He must not be left to kick his heels for an indefinite number of weeks or even months waiting for the summons. If there is any conflict between the smooth running of the military machine and the requirements of the conscript's civilian career, it is the former that must be sacrificed. Far-sightedness must be exercised. For the university undergraduate there must be no excessive break between school and the Forces, and he must be released in good time for the beginning of the university year.

For those who have been apprenticed or have received some other form of technical education, there will under conscription be a sharp break between the period when they are learners and the time when they put their knowledge to the test under their own responsibility. A duty must be placed on the Service authorities to ensure that knowledge does not grow rusty in the intervening period. In many cases no doubt it will be possible for the Services to employ men in their trades: where this is not possible, special means must be adopted.

The problems arising for university life are more serious than those attendant on apprenticeship, since in the latter deferment will mean that training is completed before call-up. It would be possible to grant deferment until the end of a university education, but as the age of call-up comes at the normal transition from school to university the grounds for doing so are less strong. If such deferment were normally granted, the university life would continue unchanged, but the task of the university Appointments Boards would be radically altered. Indeed it is questionable whether they could survive independent of the Ministry of Labour.

If it is assumed that conscript service will be completed before the university course, the age of the first-year undergraduate will be about 20 and he will take his degree at 23. The universities will thus have a more mature body of pupils, as they have in the aftermath of war. It means not merely that their intellectual capacity will be different but that their experiences will be at once wider and more varied.

There is not yet sufficient evidence from the post-war intake of older men to the universities for the implications of this change to become obvious. There is no reason to suppose that, with the right opportunities and conditions in the Services, there will be any diminution in studiousness. The wide background may have its advantages. The Norwood Committee recommended that there should be a period of six months free of examinations for

university entrants on the grounds that it "would have a beneficial influence, from the educational point of view, upon the outlook and sense of purpose of University students". They also saw the value of a period spent at this age in work of national importance. "Such a period so spent might do much to fuse the country into a single whole with a common purpose and a common understanding." They did not, however, specifically contemplate a period certainly three and possibly four times as long and devoted primarily to the narrower sphere of military service.

In one respect the extension of the period of break may produce something more than a mere difference of degree. There may be a serious risk that the wide experience obtained by the break between school and university, and the corresponding deferment of the age at which an income can be earned, may together intensify the demand that university courses shall be more vocational. In an age of specialization, with technical knowledge at a premium, there is a peculiar duty on the universities to maintain and even extend the study of the humanities. The larger the degree of specialization, the more necessary is it to ensure that the best intellects of the nation still see life whole. The wide experience and more mature mind of the ex-conscript will be an excellent foundation for the humanities. It will be the task of the universities to see that there is still a desire to build in the traditional style upon that foundation.

There will be a duty, too, upon the military authorities to ensure that the full educational value of the period of military service at a most impressionable age is realized. The plans for army education outlined recently in the House of Commons suggest that the Services are alive to the need. There will be in effect a continuation of secondary education in the King's time and opportunities for further voluntary education (vocational and other) in the conscript's own time. But the full value of this period will not be realized if the educational activities are regarded as something separate from other aspects of service life. All military training can have an educational value. It can foster alertness of mind, intellectual capacity, self-discipline, and the habit of study as much as does any other form of education. If possible, the conscript should be given a choice of Service.

Conscripts and the Community

THE third way in which conscription will vitally affect the life of the nation is in the field of personal relations. On the Continent it is the parties of the Left who generally favour conscription and the parties of the Right who favour the small professional army. The argument that conscription fosters democracy is of doubtful validity. It can at least be pointed out that some of the countries with the largest conscript armies have shown the least aptitude for parliamentary democracy. It is probably nearer the truth to say that conscription tends to diminish the sense of class based on birth and wealth. But it is by no means the only road to a classless society.

The postponement, especially in the professions, of the age at which an independent income is attained will almost certainly involve some postponement of the average age of marriage in certain occupations. It does not,

however, necessarily follow that there will be any corresponding decline in the birth-rate, although there will be such a decline in all walks of life if conscription is the sign of continued international tension and uncertainty for the future.

It is not, apparently, proposed to continue the conscription of women, presumably for the sound practical reason that there would not be the military tasks for the numbers available. But the advantage which women will gain by an eighteen months' start in civilian life cannot fail to have its influence on such questions as that of equal pay.

An important social aspect of war-time conscription which has not received the attention it deserves was the large number of young men who lived away from home for the first time. Peace-time conscription will mean an earlier break-up of a large proportion of working-class family units. It will mean similarly that friendships may be less local and intermarrying in small communities less frequent.

It is interesting to contemplate the possible effects of conscription upon local loyalties. There is no sure guide. Will the Londoner become even more cosmopolitan and, if that is possible, even less interested in London as a community? Will the Scotsman retain in the best tradition his accent and his characteristics? It would be a pity, to put it no higher, if the national unity, which the Norwood Committee foresee may be strengthened by conscription, were enhanced at the expense of those local loyalties which have in the past been its foundation. The partial preservation of the old infantry regiments will help here. Of still further aid will be the integration of the conscript reserve with a literally Territorial Army.

There is a further factor in conscription which is bound to have an important effect upon the everyday life of the individual and the family. Before embarking upon a system of permanent conscription any Government would do well to give the greatest attention to the conditions of training in the Reserve. This training will, it must be remembered, be compulsory. Nothing could be more calculated to make conscription thoroughly unpopular than irksome regulations for compulsory training which seriously interfered with social life.

That the Army conscripts should do their reserve training with the Territorial Army will undoubtedly be convenient. But the Territorial Army before the war made demands upon leisure time which taxed the enthusiasm of even the most ardent volunteers. No Government can expect to compel young men who have given up two years of their time to military training to give also for the next four or five years one or more evenings a week and alternate Sundays for the same purpose. Nor will it be practicable for the small town to provide serious training facilities for men from all Services and all types of unit. Training must therefore be confined to a continuous period of two or three weeks in the year.

Lord Pakenham, speaking for the War Office in the House of Lords on October 14, stated that our garrisons abroad would have to be found largely from Regulars, owing to the short time during which conscripts will be available after the completion of training. But Regulars, like conscripts, have to be

trained; and not the least of the implications of conscription is the fact that there will be in this country a larger body of troops than before the war, needing more camps, more airfields and more training-grounds.

It may be for this reason that the Service Departments are at present reluctant to commit themselves to the release of large areas of land. It will certainly require vigilance to ensure that conscription does not mean the permanent military occupation of some of our finest stretches of open country, such as Ashdown Forest and large parts of Dartmoor. On the other side it is fair to point out that, if a conscript army had to be trained in the waste places of the Empire, it would probably lose heavily on the educational side and tend to divorce the conscript at an important age from the political, social and cultural influences of his home community.

It is obvious that the Services must give the peace-time conscript conditions unknown to his war-time predecessors. For voluntary enlistment and conscription are complementary. The cautious recruit will not volunteer for seven years until he has tasted his compulsory service. The flow of volunteers will depend directly upon the good name which the Services establish among the conscripts. Whatever the citizens of this country think about conscription—and the indications are that a short period would be not unpopular—in prospect it is bound to be irksome to the conscript. It will be up to the Services to prove that the prospect is pleasant and that conscription is not eighteen months taken out of a life but a real and vital part of it.

BURMA: THE STRUGGLE FOR POWER

By a Correspondent lately in Burma

BURMA is now being called upon to work out her own political salvation, a task which she may find more difficult and painful than her extreme nationalists anticipated. This tremendously important moment in her history had to come sooner or later; that it has come rather sooner than many people in Britain seem to have expected need occasion no surprise. For long years we have told Burma that our policy was eventually to grant her full self-government; but for various reasons successive British Governments never felt able to define their policy more precisely than to say, in effect, to Burma: "Some day under certain circumstances you will become fully self-governing. When that day will come we do not know, but you may rest assured that come it will."

Pre-war Self-Government

ALTHOUGH we were indefinite with regard to the actual date for the fulfilment of our undertaking, we nevertheless pursued a policy which was designed to prepare the Burmese people for the heavy responsibilities which self-government brings with it. When this last war broke out, constitutionally Burma was the most advanced unit of the British Commonwealth and Empire, with the exception of the great self-governing Dominions. Burma enjoyed what practically amounted to home rule as far as her domestic affairs were concerned. Admittedly the Governor had certain reserve powers which could be used to deal with emergencies, but these powers were hardly, if ever, used. Burma had her own representative Legislature, with a Council of Ministers responsible to it, just as the British Cabinet is responsible to Parliament.

The Burmese can claim with some justice that they worked the 1937 Constitution with considerable success, despite its failure in a number of ways to satisfy their nationalist aspirations, denying them, as it did, the right to any say in matters concerning defence, external affairs, or the frontier areas. They can, however, point with no small measure of satisfaction to the achievements of the Legislature of 1937-42, just as they can claim that during those years they demonstrated that they are not incapable of governing themselves. We are not therefore being asked to hand over the reins of government to a country which is completely inexperienced in managing its own affairs.

It may be that a number of people in this country would have preferred to keep Burma under a longer period of "training" before setting her off on her own. It is difficult to see, however, what virtue there could be in postponing the grant of self-government. Burma would be no more fit for self-government in, say, five or ten years time than she is now, while it is too much to expect of any people that they should adopt a really responsible

attitude in all their affairs unless and until they are given full responsibility for those affairs. Any attempt to postpone things would only mean more and more unrest and political tension in Burma, maybe accompanied by serious disorders directed against Great Britain.

The political atmosphere of 1941 was bad enough; even then Burma was disgruntled, suspicious, suffering from a bad dose of frustration. Since that time Burma has undergone a great experience from which she has emerged more determinedly nationalist than ever before. The wave of nationalism which has swept over the East has to be seen to be believed. Burma reckons that she has every right to full self-government if by any chance we meant what we said when we proclaimed that we were fighting the last war for "freedom"; she has seen what has happened in Indonesia and India and what is taking place in Indo-China, and her leaders were inclined to wonder whether they might not have achieved more by taking up arms against us than by relying on peaceful negotiations. In view of our past promises to Burma, it would have been tragic had we been forced to fight the Burmese, for whom all the British serving there have a very genuine affection, which for the most part is reciprocated in full measure.

As far as broad policy is concerned, therefore, His Majesty's Government were undoubtedly right in reaching such an agreement as was recently concluded with the Burmese delegation. Burma no longer need feel that she must concentrate all her efforts on her "battle for freedom", on her battle against us. She now can set about fighting those much more serious battles which will have to be won before she can hope to repair that dreadful devastation which war brought to her. She can—but whether she will or not remains to be seen.

U Aung San

EVEN if her "battle for freedom" is over, a battle for power within Burma seems rapidly to be taking shape. Inevitably the name of U Aung San comes into this phase in Burmese affairs, if only because he is himself still the most influential individual in the country and is also the possessor of the most powerful private "army", which gives him a flying start in any domestic struggle for power.

U Aung San, who graduated from the Rangoon University only in 1938, has had a full life so far. He has always been an extreme nationalist, hotly engaged in fighting for his country's freedom. In 1940 his activities interested the police to such a degree that Aung San deemed it advisable to leave Burma by the "underground" route. He made his way to Indo-China, where the Japanese got into touch with him, eventually taking him to Tokyo, where he underwent military training. In due course the Japanese invaded Burma, Aung San accompanying the main invasion body. His task was to organize a Burma Independence Army to operate with the Japanese against us. This he did, it being estimated that he had about 5,000 men in the field during our retreat into Upper Burma and beyond.

Men of all types joined him, ranging from genuine young nationalists, who were ready to die in what they considered to be a righteous cause, to tough

"bad hats" to whom there appeared to be every prospect of picking up considerable quantities of loot. Aung San's B.I.A. acquired an unenviable reputation among the Burmese for the ruthless and, in many cases, cruel manner in which they dealt with those of their fellow countrymen who incurred their displeasure or suspicion. There were ugly stories of Karens and Chinese being massacred under revolting conditions. The B.I.A. (later reorganized under the name of the Burma Defence Army, of which Aung San became Commander-in-Chief) were undoubtedly treated with respect by their own countrymen. In thinking of the future of Burma it is worth while to bear this point in mind, since, as will be shown in a later paragraph, Aung San's army is still in existence in the form of his People's Volunteer Organization; Burma has not forgotten that it was uncomfortably unhealthy to get at cross-purposes with Aung San's men, nor is there any reason for them to believe that those particular leopards have changed their spots.

It was not long before Aung San and his colleagues learnt to loathe and distrust their Japanese allies, so much so that but a few months after they had "driven out the British" they were in contact with us once again, seeking help for their Resistance Movement, which was being organized by one Thakin Soe—this in spite of the fact that the Japanese had made Aung San into a Major-General and had persuaded their Emperor to decorate him with his own Imperial hands.

The Resistance Movement, under the name of the Anti-Fascist Organization (A.F.O.), gained strength immediately. Though most of its active spirits were Communists, men and women of all parties rallied to it, as being a cause above mere party politics. In other words, the A.F.O., which later was to become the Anti-Fascist People's Freedom League (A.F.P.F.L.), started life not as a political organization but as a national movement against the Japanese. In the light of later events it is important to remember this.

When the Japanese started their retreat, Aung San's 8,000 to 9,000 men of the Burma Defence Army rose against their old "Nip" comrades-in-arms and slaughtered a very large number of them. Whereas legitimately we might have signified our displeasure with Aung San for his 1941-42 exploits, it was considered expedient to overlook his past misdeeds. Among his own people his stock rose sky-high. Already he had displayed considerable courage in openly criticizing the Japanese during the occupation; now he had gone one better and had placed an all-Burmese army in the field against Burma's enemy—what was even more important, an army raised and led by Burmese officers. Not since the days of the Burmese kings had such a national army been in existence. Aung San had not only liberated Burma from their intolerable guests; he had also revived some of the glories of the Burma of their fathers.

The Anti-Fascist People's Freedom League

DURING the period of British Military Administration all political parties remained within the fold of Aung San's A.F.P.F.L., but by no means all of them were happy in this affiliation; for it was clear to many that, either consciously or through lack of experience, Aung San was aiming towards a One-Party State on the best "Fascist" model. Leaders of moderate

opinion reacted strongly against this in private, but were far too frightened of what might happen to them publicly to oppose Aung San and his extremist friends. It was not until the civil Governor declined to accept the demands made upon him by Aung San that the moderates felt sufficiently confident to take their own line.

Aung San went into active opposition against the Governor, but his A.F.P.F.L. started to disintegrate. First U Saw's old party, the Myochits, announced their willingness to co-operate with the administration; then Aung San's own old party, the Dobama Asiayone, followed suit. Soon Aung San was left only with the Socialist and the Communist parties, together with a few individuals. But Aung San was still Aung San and his A.F.P.F.L. were still a power in the land, with a nation-wide organization stretching from Myitkyina to Mergui.

It was an interesting organization in that some branches were controlled by Socialists, others by Communists, while yet others had no particular political significance, being composed of the remnants of the local Resistance Groups, who were not very politically conscious. But every action taken by each branch was taken in the name of A.F.P.F.L. The Communist branches organized "no rent" and "no revenue" campaigns among the cultivators, and gained popularity for A.F.P.F.L. in their districts; the Socialists took a bigger view and went all out against these campaigns on the ground that they were both wrong and demoralizing, all of which went to the credit of A.F.P.F.L.; while other branches co-operated with the administration in clearing up war debris, chasing dacoits and the like, A.F.P.F.L. thereby gaining considerable kudos. (It will be appreciated that communications in Burma at that time were so bad that very few people were in a position to get an over-all picture of what was happening.) A.F.P.F.L. were in the happy position of "having things both ways" with a vengeance.

Nevertheless all was not well at their headquarters (in most inappropriately Churchill Road, Rangoon. The Socialists and Communists started a battle royal, and the Communists themselves staged their own party war, which led to a split into two sections, one led by Thakin Soe, the other by Thakin Than Tun, who was generally considered to be the brains behind A.F.P.F.L.

Aung San, meanwhile, was carrying on with his anti-Government work, staging vast protest meetings, supporting every kind of industrial and labour unrest. A.F.P.F.L. were also busily engaged in raising money for continuing their struggle against "the British imperialists and expansionists". The Burmese press was 100 per cent with them. The methods they employed to achieve their ends were certainly not above question. One newspaper did venture some criticism, only to find that edition being burnt in the streets in the name of A.F.P.F.L.; there was many a tale of "political dacoities" being committed in the name of the same organization; the ordinary citizen was "advised" to attend Aung San's mass meetings; bus-drivers and tonga-wallas were strongly "advised" to lay on cheap or free conveyance for those who accepted A.F.P.F.L.'s "advice"; shopkeepers who refused to close their shops in support of A.F.P.F.L. found themselves regretting that decision. The League was given a new name by the Burmese, who now styled it the

"Anti-Freedom People's Fascist League"—but they still held it in great respect.

Aung San's next venture was the organization of the People's Volunteer Organization (P.Y.T.), which started, as far as the public was concerned, as a quite innocent Old Comrades Association for ex-Resistance Group men, on the lines of the British Legion. The difference between those two bodies soon became apparent. The British Legion neither wears its own uniform nor does it indulge in military drilling and other martial exercises, both of which the P.Y.T. did. Aung San was building up his private "army", which is now a respectable force of at least 30,000 men, with a reserve on which he could call composed of members of the various dacoit bands which are scourging Burma, some of whose leaders are reputed to be old Resistance men.

Recently Aung San has had to expel both Communists, Soe and Than Tun, from A.F.P.F.L., leaving him only with the Socialist party and his P.Y.T., the remainder of the political leaders being ranged against him, on the ground that his methods and outlook are totalitarian while they are democrats. They feel, however, that so long as Aung San is allowed to maintain his own army their voices will not be heard.

The Coming Election

SOON there is to be a general election in Burma. It is difficult to find any among Aung San's opponents who think that there can be a fair election under existing conditions. For this reason they ask that the British Government should send out observers to supervise the voting, arguing that there is an even better case for sending such a team to Burma than there was for dispatching one to Greece or Poland.

At the moment the Burma Government is, in fact if not in law, the Governor's nominated Executive Council on which Aung San's A.F.P.F.L. has a majority. As there is no elected Legislature, this Government is responsible to none. The next election apparently will be for the purpose of forming a Constituent Assembly, whose task it will be to devise a new Constitution. This Assembly is not intended to take the place of the Legislature, nor will Aung San and the Executive Council have to appear before it to answer for their actions. This state of affairs will continue for an indefinite period until such time as the Assembly can produce a Constitution capable of obtaining approval by the general public.

Aung San's opponents would prefer to have in being some elected body with power to criticize the Executive and, if need be, to vote them out of office in a democratic way. As it is, they argue, Aung San will in fact be dictator of Burma, it having been agreed by His Majesty's Government that the Governor will not interfere with the work of the Government; they point to the opportunity which Aung San has, through his nominee in charge of the Home Department, of making his own arrangements for the forthcoming elections, placing in position his own civil-service followers who could exercise pressure on the districts of which they are put in charge. Doubtless these fears are not unfounded, as the Home Department has always

been considered essential to any party when making election preparations. In general it would appear that the recent agreement between His Majesty's Government and the Burmese delegation can only have strengthened Aung San's hand at the expense of moderate democratic elements.

As far as the Communists are concerned, Thakin Soe has already announced that he and his men will take no part in the elections but will do their best to "smash them with all our strength". It is apparent that the strength of these Communists is not altogether negligible; within the last few weeks they have adopted a militant attitude and have had more than one brush with the police, besides staging demonstrations against the heart of government, the Secretariat. Thakin Soe has proclaimed his determination to seize Aung San and to have him tried by the "People's Tribunal" as a traitor.

In fact Burma appears to be in the throes of serious unrest, which is the start of the struggle for power. It might be said that under these circumstances we should adopt a more cautious approach with regard to handing over full powers to the Burmese. But in one form or another this struggle will have to take place sooner or later. It will, however, be most unfortunate if the elected representatives of the people—presuming a free and fair election can be held—are denied the opportunity of discussing in their own Parliament the affairs of their own country but are forced to devote their whole time to constitution-making. Free debate is a most necessary safety-valve at a time like this.

The Peoples of the Hills

AS far as the Hill peoples are concerned, Aung San has made no secret of his desire to bring their affairs under the purview of the Burmese Council. He does his best, too, to create the impression that, were it not for the interference of British officers of the Frontier Service, there would be no difficulty in persuading the frontier areas to throw in their lot with their Burmese cousins. The attitude of the Hills may have altered recently, but only a short time ago there was little or no evidence to support Aung San's contention; indeed the main fear of the Karens, Kachins, Shans, and others was lest they should be sacrificed to the Burmese on the altar of political expediency.

It will be remembered that a few months ago the Karens sent over a delegation to press their claim for a Karen National Home free from Burmese control; the Shan chiefs have asked for a separate Shan Dominion, while the Kachins have said that sooner than go in with the Burmese they would prefer to join up with the Chinese. The ultimate aim of all concerned must be to bring about the unification of Burma, but it is unlikely that the Hill people will willingly agree to federate with the rest of Burma until they have become better educated and more confident in their ability to get a square deal from the Rangoon politicians—and until time has exercised its healing power; for during the war the loyal Hill peoples suffered much at the hands of the Burmese who were co-operating with the Japanese.

One can only hope that no attempt will be made to rush these old friends and allies of ours into decisions which they may later regret, and that they

will be given ample time to make up their minds. Whatever Aung San may say, we cannot forget that we owe these Hill peoples a tremendous debt of gratitude. While Aung San was fighting against us, they fought for us; while the B.I.A. and the B.D.A. were co-operating with the Japanese, the Hill peoples were killing them. They fought for us when our fortunes were at their lowest ebb; it may or may not be sheer coincidence that Aung San's troops did not come into action until we had the Japanese on the run.

Burma may well find "freedom" a troublesome business at the start. Her fate is in her own hands now. We can only hope that she will respond to the voices of those leaders who believe that it is essential for her to maintain the British connexion and who appreciate that a country can be free even though she does remain a member of our great brotherhood of nations. If in any way we contribute to handing over the country to those elements to whom democracy means little or nothing, then her fate would indeed seem to be a grim one.

One prominent Burmese suggested to the writer that we might see enacted in Burma a civil war between the Communists under Thakin Soe and the "Fascists" under Aung San, and that only after that battle had taken place would moderate opinion come into its own. On being asked what he, as a convinced nationalist, would like us to do, his answer came quickly:

"You may be getting tired of us and our struggles for freedom. You may even think that you will be well rid of us, but surely after all these years and after all the friendships which have been made between our two peoples you cannot be indifferent to our fate. The first act that you should take is to ban all private armies and to see to it that such teeth as they possess are really drawn. Then you should send out observers—international observers if you like—to make quite certain that if elections are to be held they will be both free and fair. It would be no good sending them out at the last moment. Send them now so that they may see for themselves and hear for themselves what is going on. Finally the Executive Council, which is the governing body, must be made answerable to some body of Burmese opinion which is truly representative of the people."

With those conclusions most of us in Great Britain can agree.

ISOLATIONISM REVIVED

POLITICAL and economic conditions in the United States are very much more encouraging than they were in later 1946. President Truman, freed by the voters from his inherited obligations to the extreme Democratic Left, has struck out for himself. He has taken a mid-ground position which is very difficult for the Republican majority in Congress to undercut. Indeed, in his early messages to the new Congress, Mr. Truman has shown a strength and gathered a prestige which he never had before. He is better off with an anti-Truman Republican Congress than he was with an anti-Truman Democratic Congress. Last year, he could not control his own party's majority in Congress. This year, he leaves the legislative initiative to the Republicans, and shapes an independent course which has many elements strongly appealing to the voters.

Economically, inflation seems to be levelling off and the power of organized labor has been much deflated. The extreme tactics of John L. Lewis with his coal strike, and many other unions with their lawsuits for portal-to-portal pay—the most amazing travesty of justice in modern American history—have put organized labor into sweeping public disfavor. Strong anti-labor legislation has been introduced into Congress. Indubitably, the power of the unions will be sharply curbed within the next few months.

Secretary Marshall

THE appointment of General George C. Marshall as Secretary of State means no fundamental change in foreign policies, but it brings a very able and experienced hand to the helm. General Marshall's wartime service, capped by his difficult year and a half in China, has fitted him for this post as few men have been prepared. His job as Chief of Staff involved complicated and significant foreign relations much of the time. He was a participant, one way or another, in most of the historic wartime meetings. More than that, General Marshall himself possesses the qualities of the great diplomat and administrator. He is firm, but urbane. His personal characteristics are endearing. His smile is irresistible. He is as able an expositor of a difficult and complicated problem as could be found. He speaks fluently and lucidly. He keeps his head. He knows administrative organization, and is an able judge of men.

All this praise sounds fulsome. But this correspondent had the opportunity of conferring with General Marshall for a thorough review of the developing situation every three or four months during the entire war. There is no question of the new Secretary of State's capacity.

Most useful of all, perhaps, General Marshall is to the Russians the man who held Winston Churchill to the pledge of the second front in the West. He is the American who was required most frequently to overcome the persistent and understandable desire of Mr. Churchill to concentrate on the Mediterranean and avoid what he feared would be a catastrophe on

the Channel beaches. To the Russians and their friends it seemed that Mr. Churchill wanted British and American troops in the Balkans for the purpose of flanking the Soviet Union. To the Russians General Marshall is the man who had to prevent this operation.

The whole situation, of course, was much more complicated than this brief summary indicates. But, without accepting these interpretations as all historically accurate, they are certainly the way the Russians look at the situation. Therefore, General Marshall should have good chances of succeeding in his diplomacy at the Kremlin. He is known and trusted.

But General Marshall is certainly not going to alter the Byrnes-Vandenberg policies of firmness. American diplomacy has now decided that it is necessary to be dogmatic and resolute with the Russians: that there is no such thing as "talking things over" with them. These policies, which always had strong British support—indeed, British diplomatists pioneered much of the way—produced such striking successes in New York as 1946 ended that they are not likely to be changed at the Moscow Conference. But there will be added to firmness the personal goodwill and prestige of General Marshall. It is, of course, absurd to suggest that the personality of one negotiator is of more than modest importance in so gigantic a problem as relations with the Russians. But in General Marshall's background and equipment the United States makes its best possible contribution to this difficult problem.

The bi-partisan character of American diplomacy will not be disturbed by the change in Secretaries of State. The Republicans are quite as fond of General Marshall as they were of Secretary Byrnes. But the general swing of the Republicans in a reactionary and isolationist direction is a much more serious threat. Senator Vandenberg, a converted isolationist, remains a pillar of international co-operation. But he is now almost the most extreme internationalist in Republican ranks in the Senate, and much of his party is far, far behind him.

The Republicans

HOWEVER, the real character of the Republican majorities has not yet been revealed. It may be that their few spokesmen are not representative, and that a much broader area of realistic world co-operation exists than might be assumed. Certainly Senator Vandenberg, as chairman of the Foreign Relations Committee, will exert a powerful influence. But the most influential Senate Republican, the man who seems most fully to embody the new Republicanism, is Senator Taft, and he is a curiously oblique isolationist. Nevertheless, Senator Taft is an extremely able man, and like Senator Vandenberg, now that he is no longer a political oppositionist, may follow a realistic co-operative policy.

The newer Senators have many internationalists among them, including some experienced war veterans. But behind the Republican party is the figure of Col. Robert R. McCormick, publisher of the *Chicago Tribune*, who has a firm grip in Illinois politics, and is a factor in some adjacent states. Col. McCormick has his own spokesman in the Senate, Senator Wayland Brooks of Illinois, who is now a real power in the party. Between them,

and with assistance from other vigorous party leaders of the type of the Republican whip, Senator Kenneth Wherry of Nebraska, there is a strong isolationist corps. Their influence is likely to be strongest in 1948 in seeking to veto a Presidential nominee who is committed to a broad world policy.

The first test of Republican foreign policy may well come on the issue of reciprocal trade agreements. The State Department opened preliminary tariff hearings in January, looking to the eighteen-nation trade conference in Geneva in April. The Administration has long been committed to a freer trade program for the whole world. It is the keystone of official American economic policy. As an essential step, the Administration not only wishes continuation of its authority to negotiate generalized reciprocal agreements, but it also seeks further international tariff reductions on a bargaining basis. The State Department has announced items which will come up for negotiation at Geneva, and has invited interested parties to make general statements, either for or against.

Republican groups in House and Senate were opposed to extension of the reciprocal agreement program last year, but Democratic votes put through the extension. Now that the Republicans are in a majority, they have the chance to halt the tendency toward lower tariffs which has been an essential of Democratic policy since 1933. Already, various Republican stalwarts in Congress have issued statements of objection to lower tariffs.

Although Senator Vandenberg recognized, in a speech coincident with the opening of trade agreement hearings, that "peace and economics are inseparably akin", and although he indorsed continuation of reciprocal agreements "in one form or another", he gave only qualified approval. He intimated that generalized lower tariffs from specific reciprocal agreements might not continue.

A New Line-up on Tariffs

IT is not too much to say that the reciprocal agreement program is in danger. This time, the support for tariffs does not come from the manufacturing interests in the United States, as it has traditionally, but from the raw-materials producers. The contestants in the perennial protective tariff controversy in the United States have virtually changed sides in the last generation.

Raw materials are the chief beneficiaries of present American tariffs. There is a 42-cent tariff on wheat, a 7-cent tariff on long-staple cotton, a 4-cent tax on copper imports, a 21-cent tax on petroleum imports, a nearly 2-cent tariff on sugar and so on.

There are three main arguments against further tariff cuts: that recent reductions under the Hull agreements have not yet been tested in a normal trading period; that many raw materials need tariff protection to provide an adequate supply in event of war; that many foreign products are produced under such low living standards that their admission will severely damage full employment here.

Against these arguments is the paramount fact that the United States is now exporting at the rate of \$14,000 millions a year and importing at the rate of

\$7,000 millions. If we do not balance our exports with imports, there is no alternative to a loan policy as reckless and uneconomic as that of the 'twenties. Moreover, a freer-trade policy on the part of the United States is the keystone to freer world trade. There is no hope for success for the projected International Trade Organization if the United States does not lead the way with a low-tariff program. Hopes of helping the world back to economic security and sanity—and to political stability as well—would be gravely jeopardized if the United States failed to follow through.

If countries which are debtor to the United States cannot sell enough here to pay for the goods that they need they will, of course, turn elsewhere. "Such a development", said President Truman in his important Economic Report, "would tend to break the world into trading blocs, and could have profound effects upon world politics and the prospects for creating an enduring peace." Moreover, it is a period of scarcities—hardly a time for high tariffs. And if the United States cannot carry through its lower-tariff program at this time it is unlikely to be able to do so at any time in the next six years.

Probably, as the issue is threshed out more thoroughly, and the interests of manufacturing and exporting industries become more clearly expressed, the Republican Party will take a more sympathetic attitude than its few extremists have hitherto expressed. But the strength of the raw-materials interests should not be under-estimated. Frankly, the outlook is not good for great new progress toward freer trade. We may be able to hold the present lines, which amount to a reduction of 31 per cent in the average level of import duties as compared with those prevailing in 1930 under the Smoot-Hawley Act. And on a normal volume of trade, this reduction alone is far from a bad start.

Budget Balancing

FOR the first time in eighteen years, the federal budget estimates which the President has sent to Congress are in balance. But the budget will remain in the black only if several things happen: if business holds up and the revenue estimates prove correct; if the governmental agencies live within the budget and don't start appealing for supplemental appropriations; if Congress keeps the tax revenue at present levels or accompanies tax reduction with an equivalent reduction in federal spending; if Congress agrees to continue wartime excise taxes and increases postal rates.

These are large "ifs", but they are not impossible. If the United States is ever to balance the budget, it had better do it at a time when there is a conservative Congress and the economy is flourishing. If this Congress cannot balance the budget, it will be clear that the political obstacles to a balance are insuperable.

However, the Republican Congress declares it wants to do two things to President Truman's \$37,500 millions budget. It wishes to cut expenditures by \$3,000 or \$4,000 millions (some have actually proposed a cut to \$30,000 millions). And it wishes to cut personal income taxes by a straight 20 per cent.

President Truman insists that his \$37,000 millions budget cannot safely be cut. He says it is a "tight" budget. To prove his point, he claims that

\$33,000 millions represents "fixed charges" that neither the President nor Congress can safely reduce. There is much to support the President's claim. Among these "fixed charges" are the following: \$11,200 millions for the armed forces, which the President says at this figure are down to their lowest safe minimum; \$5,000 millions for interest on the national debt; \$2,000 millions for refunds due under the tax laws; \$3,500 millions for international affairs and loans; \$7,300 millions for veterans' services and benefits; \$2,600 millions for development of natural resources, including atomic energy, transportation and communication; \$1,400 millions for agricultural programs and price supports. Total: \$33,000 millions.

Obviously, Congress can cut some of these "fixed charges" if it chooses. It can reduce the sums for international affairs, for development of natural resources, for the agricultural program. But such items cannot be eliminated altogether, and they cannot be cut very drastically. Most of them are actual and genuine commitments. Some of them, like veterans' affairs, are politically untouchable.

The remaining \$4,000 millions in the budget covers other items—all the old-established governmental departments and agencies. Here is where the axe is likely to fall most freely. Congress is quite ready to cut down the size and scope of these departments. But there are few among them that can be eliminated altogether. In fact already the axe has fallen quite heavily on these activities. The wartime emergency agencies are almost gone. Of 26 emergency agencies existing on VJ day, 21 have been liquidated and 3 others are on the way out. Of 3,770,000 governmental civilian personnel at the wartime peak, 1,470,000 have already gone. It remains to be seen how many more can go.

The Republicans have tentatively agreed to keep wartime excise taxes, which are mostly on luxuries. And they are determined to cut income taxes if they can do so while balancing the budget. They believe that a lowering of the income-tax rate will stimulate business and produce the same or a greater revenue yield at the same time. For the first time, as a result of legislative reforms enacted last year, the President's budget is merely advisory. It has now been put in the hands of the two spending and the two taxing committees of Congress. They are holding open, joint sessions, and they will set an over-all ceiling for expenditures which it will be difficult for easy-spending Congressmen to break through later on. In this respect American legislative practice has taken a step in the British direction.

The Economic Outlook

A BALANCED budget will have a sound effect on the American economy. So will our international trade policies. But the balance wheel to both is the relationship between production and purchasing power within the United States. Indeed, this factor comes close to being the most crucial over-all criterion in world recovery and stability today. It has a profound political effect. The Russians, for example, appear to be thoroughly persuaded that the United States faces a severe economic collapse within a few years. At that time, they say, a Fascist upthrust is inevitable in the United

States—a Fascist drive which would include some kind of holy war against the Soviet Union. Therefore, runs the argument, Russia cannot make firm commitments with the United States because these are all likely to be swept away in an economic cataclysm. When the American collapse comes, continue the Russians, the great opportunity for Communism will come elsewhere in the western world and ultimately in the United States.

These arguments are not all nonsense. The effects of mass unemployment in the United States as an emotional and practical aftermath to the years of hysteria and intoxication through which we have been passing are indeed incalculable. The effects of an American collapse on the rest of the world are equally foreboding. For that reason, Americans are becoming more and more determined to avoid such a collapse. Ups and downs in the economic cycle are doubtless unavoidable, but it is the purpose of the American Government and people to prevent shattering collapse. That is the objective of the Economic Report presented by President Truman to Congress. The President's Council of Economic Advisers have succinctly and moderately presented the current situation—and its likely results—in a report which some Republicans derided as a "New Deal campaign argument" but which the country generally has taken soberly and slowly begun to study.

The report points out that American business is receiving exceptional profits in 1946-47, but the average worker is not able to buy as much with his higher wages as he was in 1942. The \$46 weekly take-home pay of the average factory worker in October 1946 bought only about as much as the \$35 he received in April 1942.

Industry today is producing more than ever before in American peacetime history, and in 1947 should produce about 5 per cent more. But consuming power is being pinched by higher prices. Purchasers seem unlikely to be able to absorb the vast quantities rolling from the horn of plenty. Moreover, people's wartime savings are being consumed. These savings, which in 1944 rose to a peak of 28.3 per cent of "total disposable income", have now dropped to 9.5 per cent. Thus there is not much of a backlog any more to support buying.

This all means that lower prices are likely to be forced by lower purchasing power. And how are prices to be cut? The President's committee bluntly advises industry: shave down your profits and cut prices. Cut prices, especially food, clothing, house furnishing, building materials. That is the only alternative to wage increases. Unless prices drop, there will certainly be a business slump, though not necessarily a depression.

The American industrial tradition is to reduce prices. American business has learned that this is the way to higher profits on a larger volume of trade. So every expectation would be that, as production mounts in volume, prices will begin to go down. That is the first step on the road to economic stability here—the first way to flatten out the threatened slump.

As for longer-range defenses against a severe depression, the President's advisers are also at work. For one thing, they place reliance upon restored economic order in the world—and that, again, comes back to tariff policies. But they are also preparing programs of public works within the United

States. There are plenty of jobs that have been postponed throughout the war. Our highway system needs extensive rebuilding. Our vast airports are becoming antiquated under pressures of multiplied traffic. The railways need extensive retooling and wholesale replacements of rolling stock. The need for private housing has scarcely been touched.

All these bases for sound support to a slowing economy are now jeopardized by the high price level. But, as production mounts, there seems no possible likelihood that prices will retain their present unbalance. The serious crisis, admittedly, is five or six years away. But by that time the whole world picture may be altered, and, if the world is then making the progress toward restoration and stability which it ought to be making, the chances of American stability are that much the greater. We shall then be doing our part; for, despite surface reactionary tendencies today, great lessons have actually been learned.

Who will be President?

AS was said at the beginning, President Truman has been steadily regaining prestige. That does not mean that his chances for re-election in 1948 are very good. But he certainly cannot be counted out. In some ways, his strategic position is excellent. Congress will have to take the responsibility for putting through labor legislation—and it is bound to be profoundly unpopular with the trade unions. It is even possible that such legislation will be so severe that the President will veto it, and in that case the Congressional majorities are likely to pass the measures over his veto. That will leave Mr. Truman in a good position to regain great labor support in 1948. Similarly, he may have farm support if the Republicans, in their efforts to cut the budget, prune away the present subsidies to agriculture. And there are numerous other group interests which the President, by maintaining the integrity of his position, can weld together in 1948.

But, of course, the odds are still on a continuation of the Republican tide. The Presidential aspirants are thicker than they have been for many years. The chief Republican contenders remain Governor Dewey, Senator Taft and Senator Vandenberg. Former-Governor Stassen is in fourth place, at present. There is occasional talk of General Eisenhower, but he has never declared a party affiliation, and it is not known whether he would choose to be a Democrat or a Republican.

In short, a very interesting and decisive year lies ahead. It will be decisive in determining the place of America in the world for many years to come. There is no question of our firm and fundamental support of the United Nations, as it rises in its skyscraper home in New York. There is no question of our acceptance of obligations throughout the world. Isolationism is only possible as a vain political argument. And experience in office—even as a Congressional majority—will prepare the Republican party for the inescapable facts of modern life in an interdependent world.

United States of America,
January 1947.

IRELAND AFTER TWENTY-FIVE YEARS

DECEMBER 6, 1946, was the twenty-fifth anniversary of the signing of the Anglo-Irish Treaty of 1921. It was perhaps as natural that the Fine Gael party, bereft of all but past glory, should commemorate the occasion, as it was that their opponents, the present Government, now safely anchored within the British Commonwealth, should desire to forget its hideous aftermath, for which they were principally responsible and which has bedevilled our national politics ever since.

One can still remember the relief with which the news of the Treaty's execution was received and the weary months of wrangling and disillusionment that followed. Michael Collins rightly described it then as giving us "freedom to achieve freedom", and from it undoubtedly has derived every vestige of political liberty since achieved, even Mr. de Valera's quasi-republican Constitution of 1937. As General Richard Mulcahy, the leader of the Fine Gael party, said at the public celebration in Dublin on December 5, the Treaty admitted Irish sovereignty in peace and war, recognized our army and our flag and gave us back our purse. Yet the Government refused to participate in the celebration or to permit the proceedings to be broadcast. Nor have they yet taken steps, as promised, to erect a permanent memorial to Arthur Griffith and Michael Collins, the two chief architects of the Treaty. To do so would be an admission of the fatal error made by Mr. de Valera and his supporters when they opposed by armed force the Treaty's application.

The Treaty in Perspective

YET there is another side to the picture, and it is perhaps permissible for a Nationalist of an older and more moderate school, looking back over the last quarter of a century, to assess the true value of the Treaty. During the recent celebrations the chairman of the Fine Gael organization in Cork said that it seemed strange that most people under thirty had not the faintest idea of what December 6, 1921, meant to his generation. He might have added with equal truth that these young people had also no idea how the Treaty was secured. To understand its results one must first understand its origin.

The Treaty of 1921 was in fact the fruit of the Sinn Féin policy, which in the last analysis was based on physical force and equivocation. That policy was initiated by Arthur Griffith at the beginning of the century as the so-called "Hungarian Policy"—an attempt, based on the Renunciation Act of 1782, to secure the creation of a dual monarchy for Great Britain and Ireland on the model of the former Austro-Hungarian Empire. This policy, which had the merit of recognizing the fundamental unity not only of Ireland but also of the British Isles, was eventually abandoned, under extremist

pressure, after the abortive and quite unjustified rebellion of 1916, in favour of a demand for an Irish Republic. Although that republic had neither a *de jure* nor a *de facto* existence, acts of increasing violence and terror were, throughout the years from 1919 to 1921, committed in its name. Faced with the ever-growing anarchy and chaos, the inevitable result of these activities, the Sinn Féin leaders were forced to compromise. They divided, after the Treaty, into those who made a virtue of necessity and by accepting it sought to salvage something from the wreck, and those who, some honestly and others dishonestly, preferred to maintain the fiction that an Irish Republic really existed.

The Treaty of 1921 was thus the fruit, and a bitter fruit indeed, of a policy which, because it had never been consistent, ended in an unsatisfactory compromise. National unity was in effect bartered for quasi-sovereignty over three-quarters of the country. Even its protagonists accepted the result with mental reservations, although it must be counted the finest act of Mr. Cosgrave's Government that they refused to be disloyal to their bond, and that, in spite of almost superhuman difficulties, they rebuilt the national structure for the shattering of which they were in part responsible.

Subsequent events have provided sad proof of the Treaty's inherent defects. Ignoring the implications of geography and economics alike, our Government have now taken refuge in the pretence that we are an independent nation both politically and economically. The results are often absurd. A short time ago, in the same issue of a leading Irish paper, one column contained the loud complaints of our Minister of Agriculture, Dr. Ryan, that Irish turkeys were being treated as "foreign" birds on the British market, while in an adjacent column it was solemnly reported that during proceedings in an Irish court a person of Irish blood born in Manchester was described as an alien! Common sense would surely suggest that we cannot have it both ways—we cannot have our turkey and eat it. The ludicrous turkey wrangle apparently arose from an official misunderstanding and was finally settled by a price adjustment under which the British Government in effect recognized the pseudo-republican origin of Irish turkeys but did not treat them as ordinary aliens!

Contradictory Policies

THE initial equivocation and pretence from which the Treaty derived are therefore still with us and permeate our national policy. Our Minister of Agriculture also boasted recently, with indeed some truth, that Irish store cattle were the best in the world. Yet this assertion seems to make complete nonsense of the statement made by one of his colleagues a few years ago, during the fatuous "Economic War", that the cattle trade was disappearing and the sooner the better. The Minister for Agriculture also had to admit, during a recent debate in the Senate, that the British do not want our fat cattle; the Irish farmer has therefore to produce store cattle—the raw material of the cattle trade—for which he gets only raw-material prices.

In truth, of course, cattle are our most vital export and pay for half our

imports. The import of capital goods for the development of Irish industry depends absolutely on our capacity to increase our meat and livestock exports, which increase in turn depends on a thorough reorganization of our dead-meat trade. This vital reorganization is rendered impossible by the British fat-stock price system with its discrimination between fat stock and store cattle; but this could have been prevented had not the present Irish Government failed to secure the full economic advantages of Commonwealth membership fourteen years ago, when they sulked in their tents at the Ottawa Conference. That failure was of course due to the fact that they had just entered upon "another round with England" over the land annuities. Since then our cattle exports have fallen by one-third while those of Northern Ireland have nearly trebled. In addition, our bacon, butter and egg trades, secondary in importance only to the cattle trade, have been brought to the brink of ruin. Butter production has fallen so low that there is not now sufficient to meet the reduced domestic ration.

Agriculture and Industry

ANOTHER sign of the Government's returning wisdom was recently afforded in the Dail by the admission of Mr. Sean Moylan, the Minister for Lands, that land division had gone far enough, if not already too far. It has been the declared policy of the Government not only to break up large estates but indeed to convert even medium-sized farms into what have been accurately described as "rural slums". Curiously enough, this policy of creating small uneconomic holdings flagrantly contradicts the other no less determined Government policy of encouraging tillage; for small holdings can subsist only by mixed farming, whereas tillage, which to be efficient requires expensive mechanization, can be really economic only on the larger farms.

On the industrial side a somewhat similar dilemma confronts Mr. Lemass, our energetic Minister for Industry and Commerce, who has recently told us that we must "manufacture or perish", apparently forgetting that it is only on the basis of a prosperous agriculture that we can, like the Scandinavian countries, develop our industries. Some dim recognition of this fact seems to be shown by the recent government order abolishing until March 31 all tariffs on imported clothing and footwear, the present price of which is one of the most grievous burdens on the working class. By a further order the Government has reduced the margin of profit in the drapery trade, although in fairness it must be admitted that this margin is lower than that allowed in Great Britain. It will of course be some time before the effect of these orders is felt, but they are obviously a step, if only a step, in the right direction.

Naturally enough our tariff-sheltered and quota-protected manufacturers have raised a howl of protest against what they describe as "a bolt from the blue" of which they received no notice. In fact, however, the same procedure might well be applied to other commodities. It is for instance difficult to explain why a British motor-car when assembled in Dublin costs more than the same car when sold in Britain where there is a purchase tax of 30 per cent;

why a shirt of the utility type costs twice as much in Dublin as in Belfast; and why electric-light bulbs of better quality can be bought for 10d. less in Belfast than in Dublin. These are questions which the unfortunate consumers are beginning to ask with increasing impatience. The Housewives' Association, itself a sign of the times, has launched a public campaign of protest with the support of the trade unions. Even branches of Fianna Fail, the Government party organization, are commencing to complain.

To make matters worse Mr. Lemass, the Minister for Industry and Commerce, announced in a broadcast on January 3 that, owing to the bad harvest and the stoppage of foreign supplies of wheat, bread would be rationed from January 18. The ration, however, will be $4\frac{1}{2}$ lb. of flour or 6 lb. of bread, which is one-third more than in Great Britain.

Defending the Government's policy on January 16, during a debate in the Senate on a Labour party motion demanding a reduction of prices, Mr. Lemass contended that the increase of 70 per cent in the cost of living here since 1939 was not out of proportion to the rise of prices elsewhere and did not indicate any undue weakness in our price-control machinery or any undue tendency towards inflation. He admitted that in Sweden and Switzerland, comparable countries, the cost of living had risen by only 44 and 51 per cent respectively, but he attributed this to the fact that they had strong exporting industries which could offer goods in world-wide demand. He omitted to mention, however, that our agricultural industry should be in the same position if properly managed.

Power, Production and Personnel

THE Government is thus faced, not only with the universal effects of the war, but also with the fruits of its own incoherent and isolationist policy. *Ad-valorem* tariffs on a wide range of commodities, many of which are in reality only assembled here in small quantities and smaller factories, have risen steeply with the rise in prices and added to the consumers' burden. Yet the inflated revenue they yield can be replaced only by increased direct taxation, which the country cannot bear.

Lord Salisbury once said that the commonest error in politics is sticking to the carcasses of dead policies, and if our rulers are wise they will realize that the time has come for an expert non-party survey of our economic plight on the lines of the Monnet Plan recently prepared in France. Such an inquiry might well provide us with a clear, consistent and comprehensive economic policy agreed on by all parties. Much of the spade-work for such a survey has already been done by the Banking Commission of 1938.¹ The basic problems of our economy are the provision of power, the increase of production and the improvement of social conditions. The vital question is how we can best use the resources we possess.

The supply of electricity, our major source of power, is inadequate to meet the growing demand, which will be soon further increased by the scheme for rural electrification. Moreover, nearly one-third of the current used is produced by imported coal, which must be paid for by exports. To

¹ See THE ROUND TABLE, No. 113, December, 1938, p. 120 et seq.

meet this situation two new hydro-electric power stations and one turf-fired station are in process of construction.

Our dependence on British coal is illustrated by the recent decision of the Irish Railway Corporation to close several branch railways and reduce train services on the main lines to one train a day each way of four days a week. British coal imports average normally 26,000 tons a week. The Government are seeking to obtain supplies elsewhere, Irish coal supplies being negligible. The power situation has been further complicated by the wet autumn, which saturated the turf banks and rendered them unfit for immediate use. As a result the domestic turf ration has been drastically reduced and in some districts is virtually unobtainable.

Increase of production, both industrial and agricultural, depends largely on increased power and mechanization, but improved organization of agriculture and an increased supply of imported feeding-stuffs and fertilizers are also essential. Here, again, considerations of general economic policy are involved. Recent schemes for improving the supply of cheap agricultural credit, and for substituting a motor haul for small branch railways, are steps in the right direction.

As regards social conditions the Government has just taken powers to establish three new Ministries of Social Welfare, Health and Local Government to replace the old Department of Local Government and Public Health. Whether this multiplication of Ministries will effect an improvement in our social services remains to be seen, but it is at least certain that in these matters we cannot hope to rise to the standard of our neighbours. Surveying our economic position as a whole, we may well re-echo the recent statement of M. Blum: "To decrease prices and to increase and modernize production—these are the two conditions necessary for our country's salvation."

Labour Unrest

LIKE other countries we have recently had our share of labour unrest. Its most serious manifestation was an unofficial strike of operatives in the four sugar-beet factories which lasted for several weeks at the most crucial period of the year when the beet was being delivered. As a result the sugar ration was reduced by one-half for some weeks. The real reasons for this disturbance have not been clearly explained, although it was obvious that more than mere questions of wages were involved. In the end the timely intervention of Father Hayes of Tipperary, the President of Muintir na Tíre (People of the Land), an organization for the social development of agricultural districts, led to an agreement by the strikers to submit their grievances to the newly constituted Labour Court.* Public opinion, influenced by diminishing sugar supplies, played some part in this result. The Sugar Company has agreed to pay the beet-growers £225,000 as compensation for damaged crops. To meet this charge, and the increased wages, the price of sugar has been increased by a penny per lb.

The Labour Court has also dealt successfully with claims for higher wages by railway and electricity-supply employees. The Industrial Relations Act

* See THE ROUND TABLE, No. 145, December, 1946, p. 82.

renders a union liable to a fine if it assists or promotes a strike in contravention of an agreement with an employer freely made and registered. Labour conditions have, however, been rendered far more difficult by internal trade-union strife. For practical purposes the Irish trade unionists may be divided into four sections: the vast majority who are interested only in obtaining higher wages quite regardless of the result; a large body of older trade unionists who desire to maintain their valuable connexion with the British unions; a smaller group who are prepared to go to any extreme to sever that connexion; and finally, a very small but active group of well-trained Communists who operate chiefly in Dublin. As each group naturally seeks to outbid the others, such strains and stresses make negotiations with employers doubly difficult.

Northern Reverberations

NORTHERN Ireland has also had its due share of labour and other trouble. Butchers and bakers (but not candlestick-makers) have recently struck or threatened to strike. A storm of criticism, which had its origin in the worst kind of religious bigotry, was also directed against the Education Bill introduced by the Northern Government because its provisions are just and fair to the Catholic schools. The Government, however, refused to be stampeded by this perverse clamour, and Dr. John Waddell, Moderator of the Presbyterian Church, publicly protested against it.

The Northern Government has given further proof of its good sense by releasing, for health reasons, David Fleming, a political prisoner, who had been on intermittent hunger strike for some time, as well as several junior members of the I.R.A. held for minor offences. The Irish Government followed suit by announcing next day that they also had released twenty-four I.R.A. prisoners. That an effective liaison exists between the two Irish Governments is proved by the recent arrest in Northern Ireland of Henry White, a member of the I.R.A. who has been wanted for several years by the Irish Government on a charge of murdering a detective officer near Dublin on October 24, 1942. White was subsequently taken to the border, handed over to the Irish police, tried by the Military Tribunal and condemned to death. An appeal against the conviction, which was based purely on circumstantial evidence, has been made to the Court of Criminal Appeal.* *Habeas corpus* proceedings before the Northern High Court of Justice were unsuccessful, and an appeal to the House of Lords was dismissed for want of jurisdiction.

External Relations

THE various domestic anxieties referred to have to some extent overshadowed our external problems. Yet we are conscious of, and grateful for, the almost unanimous decision of the United Nations Assembly to refer back our application for membership of the United Nations to the Security Council.† We realize, nevertheless, as was stated by one authoritative person

* The Court decided, on February 6, that the correct conviction in point of law was one of manslaughter; they therefore sentenced White to twelve years' penal servitude.

† See THE ROUND TABLE, No. 145, December, 1946, p. 77 *et seq.*

connected with the Security Council, that, owing to the increasing attack on the veto by the small nations, only a miracle can secure our admission in the near future. The debate, however, elicited several flattering tributes to our position, notably those of Mr. St. Laurent, the Canadian delegate, who pointed out that our neutrality proved we placed a high value on peace and were able to carry out an independent national policy; and that of Mr. Cuenco, the Philippine delegate, who said that our history identified us with the sufferings of humanity in its pursuit of freedom. Mr. Gromyko commented with some acidity that to say Ireland brought no assistance to the United Nations during the war was a very conservative statement indeed.

Many Irishmen feel, however, that Ireland has more fruitful work to do nearer home in supporting Mr. Churchill's noble plea for a United Europe. They think, as he does, that "the schism between Communism on the one hand and Christian ethics and Western civilization on the other is the most deadly, far-reaching and rending that the human race has known". They see a sadly weakened and spiritually unprepared England whose integrity is being slowly sapped by the sentimental materialism of its Left-wing politicians, a France paralysed by Communism, and the United States suffocated by its material wealth and divided by deep domestic discords.

In such circumstances they ask themselves whether we can afford to remain aloof and divided from Great Britain by the stale secular quarrel with our Northern fellow countrymen. It seems obvious that we must sink or swim with Great Britain and that all we value most is in imminent peril. It is therefore, they feel, our duty to use our full influence, on behalf of the clear principles and beliefs that we value, in the inner councils of the British Commonwealth where they can exert their due weight. There, rather than in the United Nations Assembly where we can only figure as an irrelevant cipher in an inconclusive debate, can the voice of Ireland effectively be heard.

This chronicle cannot conclude without recording the universal pleasure felt here at the peerage recently bestowed on Sir John Maffey, the United Kingdom representative in Ireland. It is no exaggeration to say that the improved, and improving, relations between Great Britain and Ireland are largely due to the tact, patience and skill with which he handled the difficult situation during the war years. Without loss of dignity or temper he has guarded not only the interests of his own country but also the freedom and self-respect of ours. It is now twelve years since THE ROUND TABLE advocated the appointment of a British representative in Dublin.* Sir John Maffey, now to be Lord Rugby, has fully vindicated the wisdom of that suggestion. On his retirement he will carry with him the good wishes and sincere appreciation of his many friends of all parties in Ireland.

Ireland,

February 1947.

* See THE ROUND TABLE, No. 97, December, 1934, p. 42.

INDIA'S DEADLOCK UNBROKEN

LOOKING back from the vantage point provided by the turn of the year one can see how completely the events of the last few months have shattered some of the old popular conceptions of an India unchanged, unchanging and unchangeable. During the Commonwealth's long and exciting search for forms of self-government, in no country can so many have gone so far in so short a space of time as in India in 1946—nor, as some cynics might add, been led by the nose by so few in directions of such dubious promise. If we are not wholly sure of what we are progressing towards, we are, at least, certain of what we are seeking to leave behind. Our leaders permit no room for doubt on the point. Over the whole field of affairs of state the demand seems to be for a clean break with the past. But the past, especially the political past, is not so easily forgotten or obliterated.

Nationalism versus Communalism

THE fact is, of course, that both British and Indian plans for constitutional change evolved so quickly in the second half of 1946 as to place a wellnigh insupportable strain upon the creaking fabric of a social and economic order which, though it uses the language of twentieth-century politics, is still medieval as to most of its mechanism and many of its objectives. The new forces of nationalism that invoke the ideal of independence are not, as yet, able to bridge the old communal and provincial cleavages which have come to the surface with a fresh significance in the face of the rapid and progressive withdrawal of British political power, the one truly unifying force in the country for the last hundred years. The leaders of both the chief Indian parties pretend that in some unspecified way Britain is responsible for their continuing difficulties. But the facts are against them, and in the long run the facts will assert themselves. Meanwhile, we live in a state of uneasy expectancy, fearing the worst but hoping for the best.

The Central Legislature

THE last dispatch to THE ROUND TABLE from India was written before the newly formed Government had met the Central Legislature and before the Constituent Assembly had held its first meeting. For the first time, the responsibility for running the present system of government and framing the future one passed into the hands of the leaders of the two principal Indian parties, who had hitherto been in very qualified agreement on only one point, namely, their opposition, in greater or less degree, to British rule. As finally constituted, the Interim Government took office on October 26, and two days later the Central Assembly met with the front Government benches occupied by fourteen members of the "Cabinet", of whom six Congress nominees had spent a considerable part of their later working life in prison for political offences, the four Moslem League representatives had had no experience of office but some years as members of the Central or

Provincial Legislatures, while the others had had no noteworthy qualifying experience of parliamentary or administrative life. The absence of any agreement between the Moslem League and the Congress (further emphasized by the November outbreak of communal strife in Bihar, on a scale and to a degree of intensity probably greater than that which took place in Calcutta in August) made it clear that collective responsibility could come only very slowly and, in the beginning, over a very limited field of policy.

Actually, practically the whole of a session that lasted rather less than a month was devoted to carrying a stage farther in their legislative processes Bills which the new Government had inherited from the former Executive Council, in pursuance of which they employed arguments, tactics and methods differing very little from those which had been used by their predecessors. No measures embodying controversial policies were introduced. As was to be expected from men who for years past have been railing against rule by Viceregal ordinance, there was anxiety to secure legislative sanction for measures that had hitherto derived their authority from war-time executive fiat.

Like every other parliamentary institution, the Indian Central Assembly has its own methods of measuring personalities, its own reasons for warming to some men and remaining indifferent to others, its own tests of ability and character and its own traditions and idiosyncrasies. Inevitably, some of the members of the new Cabinet succeeded better than others in establishing themselves in the esteem of the House in its short session. On the whole, however, the Government had a good parliamentary beginning, considerably aided, of course, by the large majority deriving from the support of the two major parties. There was an entire absence of the stormy scenes of the past, when for long periods at a time the members of the old Executive Council faced an angry or sullen House; legislation was debated more objectively than was the case when any anti-British argument was good enough to damn a Bill, whatever its other merits; little or no racial animosity was directed towards the half-dozen non-official British members who still represent the European trading community; and, perhaps most hopeful of all, there was evidence of the emergence of small pockets of critical and honest opposition amongst the rank and file of the League and Congress parties—a sign that party dictatorship has not entirely deadened the conscience of democratically elected representatives of the people.

But of co-operation between the Congress and the League leaders as they sat together on the front Government benches there was little indication. Pandit Nehru and Mr. Liaquat Ali Khan occupied adjoining seats for hours at a time without any apparent awareness of each other's presence. Behind the scenes relations are said to be even more obviously strained. More than ever before, the Government of India is a collection of administrative departments rather than the integrated whole which there was reason to hope would be the first outcome of the transfer of power to representatives of the chief Indian parties. In the light of all that has happened in the interval, the budget session of the Central Assembly, which begins on February 3 and lasts to mid-April, is likely to provide a much sterner test of personal and party discipline.

The Constituent Assembly

THE Constituent Assembly has had two sessions—one beginning on December 9 and lasting until December 23, and a short second session lasting for five days from January 20. According to present arrangements it will meet again in April, on a date which has not yet been determined. Its President, Dr. Rajendra Prasad, is reported to have declared recently that the task of drafting a Constitution might well be completed by July.

All attempts, both in India and in London, having so far failed to get the Moslem League representatives into the Constituent Assembly, its proceedings have throughout reflected the limitation thus imposed as well as an unmistakable note of anxiety for the future. There were considerable misgivings as to the wisdom of proceeding with the original programme of meetings in the absence of the Moslems, and Mr. Jinnah's plea for postponement for a period of months, on the ground of the tense communal situation in the country, undoubtedly commanded a good deal of public support, not all of it Moslem. On the other hand, postponement for several months could have been justified only if there had been a fair prospect of securing a reasonable measure of communal peace at the end of that period.

It would have been better if Mr. Jinnah had, at the same time, proposed a truce to communal propaganda in the press and on the platform for as long as might be necessary for the creation of a better atmosphere for the Constituent Assembly to begin its work. As it was, his plea for postponement without any qualifying conditions must have appeared to the Congress leaders as merely another attempt to secure a delay, in the hope that something would turn up which he could turn to the League's advantage. For it has to be remembered that time has invariably been on Mr. Jinnah's side—time and other people's mistakes, both of which he capitalizes with consummate skill.

The Constituent Assembly met on December 9 with 207 elected members from British India out of a total of 286. All the 74 Moslem League members were absent, the 4 Moslems present being Congressmen. There were 13 other absentees. Opening the proceedings, the temporary chairman, Dr. Sachidananda Sinha, strongly commended the Constitution of the United States of America as a model for the India of the future. The first business was the election of a permanent chairman. Dr. Rajendra Prasad's inaugural address stressed the claim that the Constituent Assembly, in spite of certain limitations, was "a self-governing and self-determining independent body in whose proceedings no outside authority can interfere and whose decisions no one outside can upset, alter or modify". Four days later Pandit Jawaharlal Nehru moved a resolution outlining the objective of the Constituent Assembly, namely, the creation of an independent, sovereign republic. His request to the members of the Assembly was, he said, something more than to ask them to pass a resolution. It was to make "a declaration, a pledge and an understanding". The Nehru resolution, together with the formation of committees, the determination of procedure, &c., kept the constitution-making body going for most of its first session.

The only serious opposition to Pandit Nehru's resolution came from

Dr. M. R. Jayakar, prominent with Sir Tej Bahadur Sapru at the Round Table Conferences of the 'thirties and a former judge of the Federal Court and member of the Judicial Committee of the Privy Council. Moving an amendment to Pandit Nehru's resolution, Dr. Jayakar sought to induce the Constituent Assembly to declare its intention of drafting a Constitution for the governance of a full and democratic sovereign State (rather different from the independent sovereign republic of the Nehru formula) but "with a view to securing in the shaping of such a Constitution the co-operation of the Moslem League and the Indian States, and thereby intensifying the firmness of this resolve, this Assembly postpones the further consideration of this question to a later date to enable the representatives of these two bodies to participate, if they so choose, in the deliberations of this Assembly".

Subsequently, at the January session, Dr. Jayakar withdrew his amending resolution, and on January 22 Pandit Nehru's original resolution was passed unanimously and with prolonged applause. In view of its importance for the present and the future its text is given in full:

"This Constituent Assembly declares its firm and solemn resolve to proclaim India as an independent, sovereign republic and to draw up for her future governance a Constitution wherein the territories that now comprise British India, the territories that now form the Indian States and such other parts of India as are outside British India and the States, as well as such other territories as are willing to be constituted into the independent, sovereign India, shall be a Union of them all; and

"Wherein the said territories, whether with their present boundaries or with such others as may be determined by the Constituent Assembly and thereafter according to the law of the Constitution, shall possess and retain the status of autonomous units, together with residuary powers, and exercise all powers and functions of government and administration save and except such powers and functions as are vested in or assigned to the Union or as are inherent or implied in the Union or resulting therefrom; and

"Wherein all power and authority of the sovereign, independent India, its constituent parts and organs of government, are derived from the people, and

"Wherein shall be guaranteed and secured to all the people of India justice, social, economic and political, equality of status and opportunity before the law, freedom of thought, expression, belief, faith, worship, vocation, association and action, subject to law and public morality; and

"Wherein adequate safeguards shall be provided for minorities, backward and tribal areas, and depressed and other backward classes; and

"Whereby shall be maintained the integrity of the territory of the republic and its sovereign rights on land, sea and air according to justice and the law of civilised nations, and this ancient land attain its rightful and honoured place in the world and make its full and willing contribution to the promotion of world peace and the welfare of mankind."

Interpreting the Statement of May 16

ON November 30, at the invitation of His Majesty's Government, the Viceroy, Lord Wavell, Pandit Jawaharlal Nehru, Sardar Baldev Singh, Mr. Jinnah and Mr. Liaquat Ali Khan left India for discussions with the British Cabinet with a view to persuading the League to participate in the

Constituent Assembly, thereby making its deliberations complete and effective from its inception. Negotiations began as soon as the Indian leaders reached London, and it is unnecessary at this distance of time to retrace all the arguments and counter-arguments which are understood to have been put forward in the hope of inducing in the Indian parties a more tractable frame of mind.

By December 6 it was clear that further extension of the talks was unlikely to produce the desired results, and His Majesty's Government accordingly issued an official statement in which it was pointed out that the object of the conversations was to obtain the participation and co-operation of all parties in the Constituent Assembly. The statement added that the main difficulty to this had been over interpretation of Paras. 19 (5) and (8) of the Cabinet Mission's statement of May 16, relating to meetings in sections, which run as follows:

"Para. 19 (5):—These sections shall proceed to settle provincial Constitutions for the provinces included in each section and shall also decide whether any group Constitution shall be set up for those provinces and, if so, with what provincial subjects the group shall deal. Provinces should have power to opt out of the groups in accordance with the provisions of Sub-Clause (8) below."

"Para. 19 (8):—As soon as the new constitutional agreements have come into operation, it shall be open to any province to elect to come out of any group in which it has been placed. Such a decision shall be taken by the legislature of the province after the first general election under the new Constitution."

The statement of December 6 went on to point out that the Cabinet Mission throughout had adhered to the view that the decisions of the sections should, in the absence of an agreement to the contrary, be taken by a simple majority vote of the representatives in the sections. This view had been accepted by the Moslem League, but the Congress put forward a different view, asserting that the true meaning of the document, read as a whole, is that the provinces have the right to decide both as to grouping and as to their own Constitutions. Legal advice had confirmed that the pronouncement of May 16 meant what the Cabinet Mission had always said it did, and the Cabinet statement therefore declared that this must stand as an essential part of the scheme of May 16 "for enabling the Indian people to formulate a Constitution which His Majesty's Government would be prepared to submit to Parliament".

The statement of December 6 then proceeded to deal with less important matters, but concluded with the following significant passage:

"There has never been any prospect of success for the Constituent Assembly except upon the basis of agreed procedure. Should the Constitution come to be framed by a Constituent Assembly in which a large section of the Indian population had not been represented, HMG could not, of course, contemplate—as the Congress have stated they would not contemplate—forcing such a constitution upon any unwilling parts of the country."

The London Conference failed of its larger purpose, which was to bring the parties to the Constituent Assembly on an agreed procedure. But it yielded handsome dividends to Mr. Jinnah, who secured endorsement for his interpretation of the Cabinet Mission's plan of May 16, and a further

assurance by His Majesty's Government that they would not force a Constitution framed by an unrepresentative Constituent Assembly upon unwilling parts of the country. Congress circles were quickly up in arms when they grasped the true inwardness of His Majesty's Government's statement. Its contents were promptly contrasted with Mr. Attlee's earlier pronouncements of March 1946, announcing the dispatch of last year's Cabinet Mission to India, in which he asserted that no minority would be allowed indefinitely to hold up the progress of the majority.

Within the Congress party itself, Pandit Nehru's stock is said to have declined as a result of the London Conference. He is reported to have accepted the invitation with some reluctance, and in the face of definite opposition from Sardar Vallabhai Patel, who declared that nothing was to be gained, and much might be lost, from further attempts to "appease" the Moslem League. Sardar Patel's position as party boss has thus been further strengthened within the caucus. At the time of writing the Moslem leaders are assembling in Karachi for a meeting of the League Working Committee at which a final decision will be made on the question of whether to enter the Constituent Assembly, the prospects of which have not been enhanced by the action taken by the Punjab Government against the activities of the Moslem League National Guard in that Province.*

On January 6, 1947, the All-India Congress Committee, meeting in New Delhi, endorsed its Working Committee's resolution agreeing to the British Cabinet's interpretation of the procedure to be followed in the sections of the Constituent Assembly. This resolution declared Congress's anxiety that the Constituent Assembly should proceed with the work of framing a Constitution for a free India with the goodwill of all the parties concerned. But, the resolution added,

"it must be clearly understood that this [i.e. action in accordance with the British Government's interpretation] must not involve any compulsion of a province and that the rights of the Sikhs in the Punjab should not be jeopardized. In the event of any attempt at such compulsion, a province or part of a province has the right to take such action as may be deemed necessary in order to give effect to the wishes of the people concerned. The future course of action will depend upon the developments that take place and the All-India Congress Committee, therefore, directs the Working Committee to advise upon it, whenever circumstances so require, keeping in view the basic principle of provincial autonomy."

Once again the Moslems complained that this was mere word-spinning, and they demanded much more explicit and categorical assurances that the terms of the Cabinet Mission plan would be mandatory upon sections, groups and provinces. So far no such undertaking has been forthcoming, and in reality the deadlock is as rigid as ever, with the added disadvantage that recent events in the provinces—Bengal, Bihar and the Punjab being cases in point—make dispassionate consideration of the concessions involved increasingly difficult and remote.

* The Karachi meeting of the Moslem League renewed the League's refusal to enter the Constituent Assembly.—*Editor*.

The Interim Government Remains

THE one hopeful feature in the situation is that neither of the major parties, having stormed the citadel of power, has yet relinquished its gains by abandoning the Interim Government, thus leaving the other in possession of the country's administrative machinery. This, of course, is a purely negative feature, which affords little encouragement to those who had hoped that the advent of a coalition Government at the Centre would clear the way to a real forward-looking fusion of interests, such as is necessary to carry India through the difficult period that lies ahead of her.

As long ago as last November Sardar Patel told the members of the Congress party in a speech at Meerut that in spite of the tactics of their political opponents, which were directed to ousting Congress from office, they would not fall into any such trap. "We joined the Government with the full and firm determination to remain there", said the Home Member, adding: "We have no intention of leaving it ourselves." Nor has Mr. Jinnah in any pronouncement yet shown any sign of a desire to bring the League representatives out of the Interim Government, though some of his colleagues are believed to favour such a course. The Quaid-e-Azam makes it abundantly clear that whatever other objectives may attach to Moslem representation in the Cabinet, it is, in his view, necessary that it should be there to see that the community's claim to Pakistan, and the assets that would go with it, are not in any way whittled down. Such a policy will obviously stultify the social and economic programmes to which the Interim Government stands committed.*

Economic and Administrative Problems

IT may well appear from the foregoing that the only issue in India to-day is whether the claims of the Congress or the League, representing as they do in each case the feelings of the overwhelming majority of Hindus and Moslems, can be reconciled or whether they are to remain, for as long as we can envisage, irreconcilable. To a very large extent it is the case that the age-long contest for power between the two communities overshadows every other problem. And, it should be added, it is becoming increasingly certain that the one chance of any kind of realistic adjustment of their rivalries depends upon its being achieved within the relatively short time in which Britain is prepared and able to exercise an effective supervisory interest in the matter.

But this is not by any means the only major problem with which the country is faced at the present time. In many parts of the country industrial labour is in ferment, in contrast to agrarian man-power, which continues to reap the advantages of the high prices paid for agricultural produce in a continuing inflationary situation. For both, the pangs of deflation, which cannot be indefinitely evaded, are bound in due course to prove exceedingly painful. But by comparison with neighbouring Asiatic countries our lot is,

* Sardar Patel was reported as saying on February 15 that the Congress members would withdraw from the Government if Moslem League members were allowed to remain under the existing conditions.—*Editor*.

in this respect at least, encouraging. Consumer goods are in better supply and shortages are now particular rather than general. War-time controls are being gradually dismantled, though we are promised many new ones in the sacred cause of a planned economy.

The recrudescence of famine, which threatened parts of the country early in the year and which the Congress opponents of the then Government prophesied with increasing confidence, has not materialized. The food position, however, remains difficult, and the difference between starvation for some and a bare subsistence for all can be bridged only by imports from the rest of the world, a fact which is not always accorded its full significance when Indian politicians talk of the virtually closed economy in which they would like their country to protect and develop its own industries. Full economic recovery in Burma will bring about a considerable improvement in India's rice stocks. Meanwhile, the continuing availability of imports of food grains from the United States, Australia and the Argentine are an essential feature of India's plans for feeding herself.

Another shortage, which is likely to make itself sharply felt before long, lies in the field of experienced administrative man-power, a supply of which is essential, no less to the many ambitious schemes of social and economic uplift that fill the Indian mind to-day, than to commitments which India will have to assume as an independent sovereign State.

Meanwhile it may well be that the future of the Secretary of State's Services (I.C.S., I.P., &c.) has been fully and finally decided by the time these lines appear in print. Up to now all that we know is that they will cease to exist as Secretary of State's Services at some not very remote date in the future, and that an All-Indian administrative service is contemplated in their place, but on what basis of pay, promotion and organization remains to be seen. It would seem that there will be a place for every Indian member of the Secretary of State's services in the new democratic administrative fellowship which is to take the place of the *corps d'élite* by whom India has so long been governed. It may also be that some British officers of the I.C.S. will be offered employment under the new régime, and many will probably be glad to serve the new India.

Others will undoubtedly want to go, and Mr. Arthur Henderson, K.C., Under-Secretary of State for India, has recently visited New Delhi for the purpose of negotiating agreed terms of compensation for all members of the Indian Civil Service (irrespective of whether their nationality be British or Indian) upon the termination of their contract with the Secretary of State. Such compensation would be in addition to the proportionate pensions to which these officers are entitled on exercising the option to retire. Indian opinion generally is against the principle of compensation, though it would have no objection if the Secretary of State decided to compensate his officers out of British revenues—a proposition to which the British taxpayer could hardly be expected to assent.

India,

January 1947.

UNITED KINGDOM

WINTER has laid its icy hands on the country more heavily than for many years, and in the last week of January the newspapers were announcing in streamer headlines "All Britain Freezes". Snow fell heavily over the southern half of England, disorganizing transport and dislocating the public services. The demands on gas and electricity suppliers rose far beyond the capacity of plants crippled by arrears of maintenance and equipment. Industry found its difficulties suddenly intensified, and interrupted supplies of fuel and materials cut down production and sometimes caused complete stoppages. After two weeks of freezing weather, the Government was constrained to impose draconian cuts on electricity supply in order to avert "complete disaster".

Economic Realism

THE Government had chosen this chilly season to administer a cold douche of economic realism. A White Paper on man-power and production, with the cumbrous title "A Statement on the Economic Considerations affecting Relations between Employers and Workers", sets out the immense task of retaining the pre-war standards of living and still more of raising them to the high levels so hopefully envisaged during the war. Its purpose is an urgent and imperative demand to workers and managements—whose representatives on the National Joint Advisory Council had endorsed the document—to realize the full extent of their responsibilities in securing the essential improvements in industrial efficiency and productivity.

There is a sharp reminder that the position is "extremely serious". The country is still running into debt abroad, but nevertheless has proceeded rapidly to establish schemes of social improvement. "It is therefore highly imperative that we secure a speedy and substantial increase in the output of British industry. That is the kernel of the industrial and economic policy of the Government." It is the measure of our lack of man-power that we are 560,000 short of the number of workers needed in manufacture for export. It is the measure of the inflationary pressure at home that there is a gap of £1,000 million between the total income of the community (after tax) and the goods and services available.

The call is first and last to increase production in every sphere; and the question is not merely "How?" but "How, *immediately*?" for re-equipment and mechanization can provide only a long-term answer. The biggest problem is the almost universal shortage of man-power, within which is the problem of uneven distribution; for some of the most vital industries are the most severely undermanned. Coal-mining is 43,000 short of its pre-war active strength, textiles about 250,000, agriculture 33,000.

Wages and Strikes

TWO big obstacles in the way of a better distribution of man-power are the still latent fear of future unemployment, and the effect which increasing wage rates in the undermanned industries, in order to attract more

workers, might have on the general level of wages. The first has led the miners' union, for example, to resist for many months the employment of Poles in the mines, and even now to admit only a restricted number. The second is part of the much bigger question of the Government's persistent shyness towards a national wages policy in face of the trade unions' claim that wages and conditions must be freely negotiated in each industry. The White Paper suggests that wage rates should be held steady but that earnings might be increased by raising output per head, and it speaks plainly on the point that "if costs of production, and in consequence prices, rise in relation to world prices, it may make it impossible for us to pay our way in the world and buy all the imports we need".

Since the union leaders have given their support to the Paper it must be supposed that the objections consistently offered to a system of payment by results have been taken into account, along with the spreading of shorter hours and longer paid holidays over a steadily increasing area of industry, and the general demand for a five-day week, for which the shipyard workers arranged a regular "token" strike on Saturdays. The cotton operatives retain their traditional opposition to the two-shift system, now being canvassed again as part of the reorganization of the industry; and the latest demand for higher wages has come from the building workers, whose claims if granted would increase the cost of a house between £60 and £90.

The problem is how to secure greater individual effort at a time of full employment when the discipline of personal need and the direction of labour for national necessity are alike absent.

Increased productivity, moreover, involves two basic requirements—regular supplies of raw materials, including fuel, and industrial peace. Two developments at the turn of the year caused great misgiving on these points: the dislocation to industry caused by the coal crisis, and the threat to industrial peace implicit in the unofficial but successful strike of the road-haulage workers.

The strike began in London, and spread in lesser degree to other parts of the country. Its immediate cause was the failure of the central wages board of the industry to accept the men's claim for a shorter working week, longer annual holidays and improved overtime conditions. The claim was formulated early in 1946, failed before the employers, and was sent to the statutory board in September. After these protracted negotiations the men's impatience overwhelmed the union leaders, and against their advice they stopped work. The strike spread to dock and market workers, and London's food-supplies were imperilled. After a week-end in which the full ration of meat could not be bought in the shops the Government brought in troops to ensure distribution. The striking men remained obdurate, even though the union declared its full backing for their claim, and rejected the advice of the union officials that the statutory procedure should be allowed to take its course and the claim be presented again to the wages board with their objections. With the introduction of military labour, other market and transport workers threatened to stop work as a protest, and for a time there was no little anxiety lest a general sympathetic strike should result.

Ultimately a special court of enquiry, free from the statutory restrictions governing the wages-board procedure, was set up, and quickly reached its conclusions, awarding the men almost everything they had asked for. The men had some grievance over the long delay, and they were asking no more than had been repeatedly given in other industries. But their action was widely condemned as an intolerable disruption of food supplies. Its most dangerous threat, however, lay in the flouting of official guidance, both by the unions and by the Government, which had been manifest in a lengthening series of small disputes, and the challenge thus offered to collective negotiation; and the fact that the objective was in effect secured by this unconstitutional method only emphasizes the danger which these disruptive tendencies hold for the production drive and the national well-being.

The Coal Crisis

EARLY in December the Minister of Fuel and Power made a renewed appeal for reduced fuel consumption to meet the likelihood of coal shortages of two to five million tons on the already reduced home requirements during the first three months of the year. In specific form it was that industrial users should cut their coal consumption by another 5 per cent, coupled with a compulsory restriction in the use of gas and electricity by 2½ per cent. The savings thus made were to constitute a reserve to help undertakings of prime national importance—gas and electricity works, iron and steel, railways and essential expansion. The steadily rising coal output still lagged behind the rising consumption consequent on greater industrial activity, and industry was running on such low reserve stocks that considerable apprehension was expressed in the manufacturing and textile areas of the midlands and the north about the dislocation, loss of production and unemployment that any interference with regular deliveries would bring.

Train services, the main lines among them, were cut to release more locomotives for freight and to conserve coal, and wagons were diverted from other purposes to carry coal. In the middle of January matters had become admittedly critical, and after a Government review of estimated supplies the appeals of Mr. Shinwell were replaced by the more direct methods of Sir Stafford Cripps. Apart from gas and electricity stations and the domestic consumer, whose supplies were not to be cut any lower, there was an estimated deficit of 300,000 tons a week on industrial requirements. Electricity power stations were given an absolute priority in supplies, and the allocations to industry were cut by half, and to industrial coke ovens and iron and steel by about a quarter. Deliveries had previously been short of allocations by as much as 40 or 50 per cent, but the new allocations were presented on a "realistic" basis, with the assurance that delivery could reasonably be expected, in quantities around 87 per cent of the November deliveries. With reserves so slight and transport difficult the effect of these reductions was felt almost immediately, and was reflected in short-time working and in certain outstanding cases the complete closing-down of factories.

Before this plan could be put into full operation the worst snow-storms for 50 years struck the country. The movement of coal by rail and sea virtually

ceased. At the same time demands on power supplies rose to extraordinary figures, so that the coal requirements of the Central Electricity Board, which had been going up from 540,000 tons to 600,000 tons a week, suddenly jumped to over 700,000 tons. On February 7 the Cabinet, faced with the likelihood of a complete breakdown at the power stations, took the drastic step of denying power to all industry, except a few essential services, in the London and South East, Midland, and North West Regions. Over more than half the country industry was brought almost to a standstill.

Within a week, nearly two million employees had been thrown out of work. Railway services were reduced, and periodical publication interrupted. A heavy cut was made simultaneously in domestic supplies, and for five hours daily homes, like offices and shops, were deprived of all electricity for light, heat and power. The Prime Minister broadcast an appeal to the people for their utmost co-operation. It was hoped by these extreme measures to enable power stations to build up some reserve stocks and so avoid catastrophe. Although it was insisted repeatedly by Government spokesmen that they were to continue for a few days only, the optimism of Ministers in previous months, now so completely shattered, and their evident reluctance to face the need for radical preventive action earlier, left a reaction of gloomy foreboding that again official estimates would be contradicted by events.

'Socialism in Next to No Time'

ON this cramped stage, meanwhile, the Government produce with increasing momentum their political transformation scene. The King's Speech which opened the new Parliamentary session on November 12 outlined fifteen separate Bills, most of them carrying the principle of State ownership or control into expected fields. They ranged from exchange control for the protection of sterling to a Bill to continue in existence the civic restaurants established by local councils to meet war-time needs. Between the end of November and the beginning of February, a period which included the Christmas recess, all four of the major legislative measures of the year had been started on their course. The transport nationalization Bill, published on November 29, was brought before the Commons for second reading on December 16, and by February 4 was in committee. The Town and Country Planning Bill, published on January 8, was read a second time before the end of the month; and the electricity nationalization Bill, published on January 11, had its second reading in the first week of February. In addition there was the Bill embodying the Government's policy for agriculture, published on December 20 and discussed on second reading at the end of January.

Well might Mr. Dalton prophesy that the socialization of Britain would be completed by 1948. All these are major measures—the transport Bill, for example, contains 127 clauses and 13 schedules—revolutionizing the British economy, and demanding close and expert study of their complicated and technical provisions. Each of them would normally have been regarded as sufficient in itself for one session, and would have been subjected to close scrutiny in long days of committee work by the whole House. Now they are brought on for debate as quickly as decency permits, and then hurried

away into a standing committee, to vanish almost completely from public attention, while at most fifty members wrestle with the intricacies of the Bill and the inflexibility of Ministers. The Opposition charge that democracy is thwarted when such sweeping changes are carried through in this hasty manner, which makes adequate public discussion almost impossible, carries much truth.

Transport and Electricity Bills

ALL the Bills mentioned are highly controversial, and the transport and electricity measures extremely so. The transport Bill, to nationalize all forms of inland transport, proposes a Transport Commission to take over in 1948 all the railway and canal undertakings, and on a day to be appointed the road-haulage undertakings engaged in ordinary long-distance carriage. Thereafter goods are not to be carried more than 25 miles except under licence, and even a firm's own goods may not be carried in its own vehicles more than 40 miles without a permit. The commission is to prepare schemes for the co-ordination of passenger transport services, whether by road or rail, in approved areas, covering both privately owned services and municipal undertakings. The commission will be a body of five persons appointed by the Minister and responsible for transport policy. Management functions will be delegated to five executives, dealing respectively with railways, docks and waterways, road transport, the London services, and in time railway hotels and catering.

The storm of protest was most intense over the compensation proposals. These are based on the average of quotations on the stock exchange on six dates in November (before the definite announcement of the Bill in the King's Speech) or the average of mid-monthly quotations from February to July 1945, if these pre-general-election prices were higher. Compensation is to be payable in government-guaranteed stock of an amount, in the opinion of the Treasury, equal in value at the date of issue. For railway and canal undertakings it is estimated that the amount of compensation stock will be some £1,065 million.

These proposals were as unexpected as they were unacceptable; for the method followed none of the previous nationalization projects. They are criticized because, it is said, railway stocks had been for years influenced by government action or expected action, which made the market prices irrelevant as a basis of compensation; because the pre-election prices are regarded as invalid, on the ground that the Government's cheap-money policy has altered the whole monetary structure; and because it is held that quite inadequate weight has been given to the income factor. This last point has a serious social aspect. Railway stocks, being largely trustee securities, are held by institutions and societies of many kinds—including the churches and the trade unions—for which they afford a stable if limited income, and similarly constitute the basis of innumerable small family incomes for the elderly, the widow, the pensioner and the orphan, who must suffer heavily from the reduction of their already depreciated purchasing power.

The Chancellor of the Exchequer was at pains to justify the compensation terms as the independent arbitration of the stock exchange, but his strictures

on the railway system as "a very poor bag of physical assets" were widely regarded as an unfair reflection on their war-time exertions and the dilapidation they had suffered from six years of deferred maintenance. His answer to the complaints about the fall in income was the simple one that many railway stocks were not trustee stocks but highly speculative and unremunerative holdings, and that in the new government stock the risk would be eliminated and assured income provided. The Opposition parties were united against the Bill, and their solid vote against it numbered 204, the largest of this Parliament.

The plan for the co-ordination under public ownership of the whole of the electricity-supply industry follows much the same lines: a central authority to direct policy and under it fourteen boards, working in this case on an area and not a functional basis, concerned with efficient and economical distribution. The taking over of these undertakings represents the second stage in the nationalization of the fuel and power industries; coal was the first, and the Bill dealing similarly with the gas industry is to come next session. The electricity Bill affects altogether 570 undertakings, of which 370 are municipally owned. Here again the stock-holders are to be compensated on stock-exchange values, at an estimated cost of £350 million. Local authorities will receive, as in the case of their transport services, compensation sufficient to cover interest and sinking-fund charges on the outstanding debt of the undertakings. Some market calculations have indicated that in the absence of the threat of nationalization the prices of electricity stocks might reasonably have been such as to attract compensation amounting to about one-quarter more than the Government propose. The terms for local authorities are objected to because they reflect neither the value nor the remunerativeness of the undertakings, and penalize those who used profits to pay off debt, while relieving the less efficient or less prudent undertakings of all their liabilities.

As the picture has unfolded, criticism has grown of the apparently unrelated methods of compensation adopted. In the City columns of *The Times* six different bases were set out: exact maintenance of income (Bank of England); net maintainable revenue and appropriate number of years' purchase (coal); agreed valuation of shares or arbitration (cable and wireless); market prices (railways and electricity); cost of replacement plus two to five years' purchase of net profits (road haulage); original cost less depreciation (privately owned railway wagons); and the comment was made that there are certainly signs of an increasing tendency to choose the cheapest and simplest bases that can be made to look in any way plausible, and the substitution of political opportunism for principle. "If confidence in industrial investment and development is to be maintained", the writer says, "it should be made plain that compensation for any future State acquisitions will recognise certain definite principles and that independent arbitration based on those principles will be invoked."

CANADA

WHAT CANADIAN LABOUR WANTS

IT is easier to ask what Canadian Labour wants than to give a precise answer. For Canadian Labour does not speak with one voice. There are three major federations: the Trades and Labour Congress (T.L.C.), the Canadian Congress of Labour (C.C.L.) and the Canadian and Catholic Confederation of Labour (commonly known, by a mistranslation of the French "*syndicat*", as the "Syndicates"). There are also the "Big Four" international unions in the railway running trades, unaffiliated with any central body.

The T.L.C. is made up predominantly of old-established international craft unions, most of them affiliated with the American Federation of Labor, though it contains also some important national and international industrial or semi-industrial unions. It accounts for over 40 per cent of total union membership in Canada. The C.C.L., which accounts for about one-third of total union membership, consists entirely of industrial unions. About one-third of its members are in purely Canadian organizations (national or local), the rest in international unions (Canadian branches of C.I.O.—Congress of Industrial Organizations—unions, and the Canadian districts of the A.F.L. United Mine Workers). The Syndicates account for rather less than one-tenth of total union membership, and include both craft and industrial unions. The "Big Four" have only about 5 per cent of total union membership, but of course have power and prestige out of all proportion to their numbers. A really comprehensive and accurate account of what Canadian Labour wants would therefore involve a careful examination of the official pronouncements of all these bodies.

Happily, however, the task is rendered a good deal less formidable by three facts:

(1) The two Congresses together account for three-quarters of organized Labour in Canada.

(2) The "Big Four" co-operate with each other and with the fourteen T.L.C. unions which operate on the railways and in the railway shops.

(3) The Syndicates are purely French-Canadian and confined to the province of Quebec, and the "orthodox" (T.L.C. and C.C.L.) unions have a much larger French-Canadian membership; Syndicate policies are therefore not very significant, nationally, and call for no further comment here.

For all practical purposes the pronouncements of the two Congresses may be taken as representing broadly the views of Canadian Labour as a whole. On the other hand, there are considerable differences of opinion between the Congresses and within each Congress, and, although these relate to methods rather than objectives, they are none the less important.

Differences from the United States

BASICALLY, it need hardly be said, Canadian Labour wants the same things as Labour everywhere else: full employment, stable prices, higher wages, shorter hours, vacations with pay, decent working and living conditions, adequate housing, health and education, social security, constitutional government in industry, a proper share in framing and carrying out economic and social policy. But it is the variations on these familiar themes which are important. American Labour wants all these things just as much as Canadian, and about two-thirds of Canadian trade unionists belong to international unions, with headquarters in the United States. It might have been supposed, therefore, that Canadian union policies would be little more than an echo of American. Actually they are markedly different, in many respects much closer to those of Labour in Britain, Australia, New Zealand and western Europe.

For one thing, American Labour is never tired of proclaiming its ardent devotion to the system of "free enterprise". Two years ago the Presidents of the A.F.L. and C.I.O. even went so far as to sign a joint manifesto with the Presidents of the American Chamber of Commerce and the National Association of Manufacturers extolling the glories of that system and pledging allegiance to it. No Canadian Labour leader of any standing has shown any sign of following this example. Canadian Labour as a whole has certainly not gone socialist, but it has never committed itself to capitalism, it has always advocated a considerable measure of public ownership, and a large section of it is, to say the least, becoming increasingly doubtful whether "free enterprise" can give Labour anything like what it wants.

Even the traditionally cautious T.L.C. has for many years demanded "public ownership and democratic management of all public utilities and nationalization of banking and credit", and "government control and fullest development of all natural resources". In 1943, while disclaiming any advocacy of "socialism", it called for further developments in this direction, and at its last convention urged the adoption of a comprehensive public slum clearance and housing programme. These may not be quite the accents of the British Labour party, but they are certainly not those of Mr. William Green.

The C.C.L., besides endorsing the Co-operative Commonwealth Federation (C.C.F., Canadian equivalent of the British Labour party) as "the political arm of Labour in Canada", and urging its member unions to affiliate, has declared for nationalization of the banks, the coal-mines and all existing privately-owned radio broadcasting stations, a great public-enterprise housing programme from which private enterprise should be "excluded", and "free hospitalization and surgical and medical attention for all workers and their families". The Canadian locals of the United Steelworkers, whose International President, Mr. Philip Murray, signed the joint "free enterprise" manifesto, have asked for nationalization of the Canadian steel industry. District 26 of the United Mine Workers, whose International President,

Mr. John L. Lewis, is perhaps an even more zealous supporter of private enterprise than Mr. Murray and Mr. Green, has called for nationalization of its half of the Canadian coal industry.

A second marked difference between American and Canadian Labour is in their policies towards independent political action. American Labour has in general fought shy of it, preferring the Gompers policy of rewarding Labour's friends and punishing Labour's enemies in the two old parties, or the recent C.I.O. variation, working mainly through one of the old parties. Canada, on the other hand, has had a persistent tradition of independent Labour political action.

The T.L.C., then the only important central Labour body in the country, officially endorsed the idea as long ago as 1900, and in 1917 actually took the initiative in organizing a Canadian Labour party. This fizzled out ingloriously, but a few Labour members of Parliament remained and helped to found the C.C.F. In 1938 District 26 of the United Mine Workers made history by becoming the first Canadian union to affiliate with a political party, the C.C.F. Other unions, notably the Steelworkers in two of the three basic steel plants, followed; as already noted, the C.C.L. as a whole, in 1943, gave its official support; at present, about a hundred local unions, belonging to both Congresses, have affiliated with, or endorsed, the C.C.F., and many union leaders, national and local, are active C.C.F. members.

Political Action

WHAT is the explanation of these contrasts? Why does American Labour embrace "free enterprise" with rapturous enthusiasm, while Canadian Labour at best turns upon it a cold and fishy eye? Why is American Labour almost unanimously in favour of political action through one or both of the old parties, while a considerable section of Canadian Labour is ready to back a socialist third party?

First, there has been the powerful influence of British and British Commonwealth experience. This has been reinforced by the presence of a large number of British immigrants accustomed to, and many of them formerly active in, unions, co-operatives and the Labour party.

Secondly, the Canadian economy has, on the whole, been decidedly more monopolistic than the American. Canada has never had any successful trust-busting of any importance. Canadian "free enterprise" has looked much less "free" than American, at any rate to Canadian Labour.

Thirdly, Canada has had no Roosevelt and no New Deal.

Fourthly, there is the nature of the Canadian system of government and particularly the Canadian party system. The Liberal party has had only two national conventions in its history, the last nearly thirty years ago. The Progressive Conservatives and their predecessors have had three (1927, 1938 and 1942). The organization of the Democratic and Republican parties, with regular national conventions every four years, at least looks more democratic, and the system of primaries seems to offer more chance of rank-and-file control of party machinery. Certainly the chances of

dissident groups gaining any real influence in either of the old parties in Canada appear, to many Labour people, to be negligible.

Wages and Hours

LONG-RUN policies are important in themselves and because of the part they play in determining short-run objectives and policies. But the general public are much more concerned with what Labour wants in the way of wages, hours and other terms of employment, and with possible industrial action to get what it wants. Does Canada, like the United States, face a "second round" of demands for substantial general wage increases? Will Canadian Labour make a second drive for the forty-hour week without reduction, or even with an increase, in take-home pay? Will it press its demands for union security in one form or another? Will it resort to strikes if employers refuse to grant its demands or a substantial proportion of them?

One thing can be said: Canadian Labour's short-run objectives and policies, though they will undoubtedly be influenced by American, will not be just carbon copies. The economic and political conditions facing the two movements are too different.

In the first place, American workers got larger wage increases last year than Canadian, and the gains were more widely diffused; only a small proportion of Canadian workers took part in the "wage drive". On the other hand, the American cost of living has gone up so fast since the spring of 1946 that most, if not all, of the gains have been wiped out, while in Canada the cost of living has remained pretty stable. Canadian Labour leaders have been deeply impressed by this contrast and are anxious to avoid a repetition of the American experience. Keeping the price-level steady will undoubtedly be a major objective of Canadian Labour this year. If it is achieved it is safe to say that there will be no general "second round". But Labour is not very hopeful that prices will stay down, and if they do not it is practically certain to produce the same results as in the United States. In any event there will probably be a strong effort to extend the benefits of last year's wage drive to industries and regions which it left untouched, notably to bring Quebec wages up to the Ontario level.

In the second place, American profits are at a much higher level than Canadian, and the wage increases which, theoretically at least, could be granted without raising prices are therefore much larger in the United States than in Canada. In the United States, according to the Nathan Report, 1946 profits before taxes were probably about five times the 1936-39 average, and profits after taxes about three and three-quarters of those of 1936-39. In Canada, according to the best figures available (which are admittedly less comprehensive and up to date than the American), 1945 profits before taxes were only about one and three-quarters of the 1936-39 average, and profits after taxes only about 6 per cent above 1936-39. Even if the Nathan Report figures are a considerable exaggeration; even if Canadian profits in 1946 were considerably larger than in 1945, as they probably were; and even if tax concessions in 1947 lead to a further rise, the discrepancy is still very

large, and the amount that Labour could squeeze out of Canadian profits is clearly nothing like what it might conceivably squeeze out of American, though, of course, in both countries the situation varies greatly from industry to industry, and even from plant to plant.

In the third place, American unions face a very hostile Congress and a public opinion which, if not already hostile, may easily become so. Almost certainly 1947 will see restrictive labour legislation in the United States. Canadian Labour leaders are well aware of this, and they do not want to see it duplicated in Canada.

None the less, it must be emphasized that even the more highly paid sections of Canadian Labour feel that they are entitled to the same hours of work as their opposite numbers in the United States, and to basic wage rates which will give them a health-and-decency standard. Average weekly hours actually worked in Canadian manufacturing are now about $42\frac{1}{2}$, in mining about 43. The forty-hour week is rare. The Toronto Welfare Council's health-and-decency minimum for a family of five in 1944 was \$35.85 per week; at present prices it would be over \$38.00. The average wage-package for Canadian manufacturing as a whole, skilled and unskilled workers, married and single, at the end of October 1946 (when, of course, most of the increases gained in the summer's strikes were not yet reflected in the figures), was \$30.82, and only in aeroplane manufacturing, steel shipbuilding and repairing, railway rolling-stock, pulp and paper, preparation of non-ferrous metallic ores, petroleum refining and coal and metal mining did it come near, or exceed, \$38.00. In the service trades, weekly wages were only about \$21.00. When every qualification has been made it is clear that in most industries the demand for a health-and-decency minimum would involve considerable increases.

General Economic Controls

IT is possible, however, that if prices stay put, and if rates in the low-wage areas can be levelled up in a reasonable degree, the main emphasis in wage demands will be on security through guaranteed annual wages and health, welfare and pension plans under union or joint union-management control, rather than on straight general increases. (This does not, however, rule out demands for such increases; Canadian Labour does not believe that wages have reached saturation point.) Here, if nowhere else, Canadian unions are likely to follow American examples. The guaranteed annual wage should not present insuperable difficulties in the consumers' goods industries, where demand is relatively stable, provided the figure is not set unreasonably high; but, unless general economic policy is successful in maintaining full employment, the heavy industries, which in the past have suffered most from fluctuating demand, may find it very hard to accept a guaranteed annual wage without large qualifications. Whether even the consumers' goods industries will accept it without a struggle remains to be seen.

It is a fairly safe guess that most Canadian employers will object strenuously to union-controlled health, welfare and pension plans financed solely by the employer, and if they do ultimately accept them they will do their

best to pass on the costs in higher prices. Whether Labour takes its gains in the form of straight increases, shorter hours, guaranteed annual wages, health and welfare plans or a combination of two or more of these, it may well find that it can keep them only under a system of permanent price control, which involves important economic, political, constitutional and administrative problems, and might have important repercussions upon free collective bargaining. Short-run and long-run objectives and policies, economics and politics, industrial and political action, are not easy to keep separate.

Union Protection

MEANWHILE, however, there can be no question that a further immediate objective of Canadian Labour will be an increase in union security. The unions will certainly press to have as much union security as possible written into collective bargaining legislation, Dominion and provincial, and they will be able to point to the recommendation of the Industrial Relations Committee of the Canadian House of Commons that "a measure" of union security (undefined) should follow certification of a union as the recognized bargaining agency in any plant or industry. Whether this will take the form of the union shop, maintenance of membership, maintenance of membership for present employees and union shop for future employees (already contained in the Saskatchewan Trade Union Act), or simply some form of check-off of union dues (already obligatory, where the union asks for it, under several provincial Acts), no one can say positively, though the first is certainly highly improbable and the second hardly less so. All unions will at least try to get written into their collective agreements as large a measure of union security as they can. Some will no doubt try for the Rand formula (compulsory payment of union dues by all employees, but not compulsory membership, coupled with penalties for unauthorized strikes), or a modified Rand formula without the penalties; both have already been adopted in important industries, and seem to be working well.

What Canadian Labour most wants, however, was well summed up by Mr. Pat Conroy, Secretary-Treasurer of the C.C.L., in his evidence before the Industrial Relations Committee of the House of Commons last August:

"Labour has to be accorded the status of representing one-half of the investment in the enterprise; it must be regarded as a partner. . . . Labour has much to learn. There are many things it does not know. It does, however, know this, that it cannot afford to let free enterprise pursue its untrammelled way, with the fate of the rest of the people in its hands, and without any challenge as to whether or not a small group of men have been granted the divine right to hold the destiny of mankind in their hands."

Mr. Conroy went on to quote, with approval, from the London *Economist*:

"What is needed . . . is . . . regular and detailed review of the policy of individual firms and industries, based on full disclosure of the relevant information, and backed with adequate opportunities for individual workers and their elected representatives to put their point of view and satisfy themselves that policy is working out as it should. . . ."

"The first and most essential step is, of course, to promote an effective and as nearly as possible fool-proof policy for full employment. There can be no hope of genuinely co-operative industrial relations so long as they are bedevilled with the spectre of Marx's 'reserve army' of unemployed.

"Secondly, it is necessary to grasp firmly the twin nettles of wages and profits policy. A wages policy is needed both in the interests of national finance and to ensure the right distribution of labour between industries; but it is politically impossible without a policy for profits. A profits policy is in any case essential if the full support of Labour is to be obtained for all-out production. . . ."

Anyone familiar with Canadian Labour and its problems will note at once various omissions from this article, and probably some over-simplifications, whether exaggerations or understatements. Some or all even of the rather cautious and tentative predictions made may be falsified by events. Only a clairvoyant or a person with a quite extraordinary confidence in his own infallibility would venture to speak with any assurance on such matters; and though the results might make more entertaining reading, it may be doubted whether they would shed more light on a very complex situation.

Canada,

January 1947.

AUSTRALIA

AFTER THE ELECTIONS

THE results of the federal elections of September 28, which were recorded in the last issue of *THE ROUND TABLE*, represent on the face of it a substantial victory for the Labour party. It acquired a sweeping majority in the Senate and its majority in the House of Representatives was not seriously impaired.* Close consideration of the results cannot, however, have given unmixed satisfaction to the party leaders. The Minister for the Army and the Minister for Repatriation both lost their seats; the Government came near to losing several "wheat" seats in the key state of New South Wales; two of the three constitutional amendments submitted in the referendum were not carried; and, perhaps most significant of all, the Government lost two seats to Independent Labour candidates, one of them being captured by Mr. J. T. Lang, former Labour Premier of New South Wales.

It would be misleading to suggest that these set-backs arose from any general revulsion of feeling against the Government. The dissatisfaction of the wheat-growers could be ascribed to the Government's refusal to satisfy in full their demands for financial assistance. The defeat of two of the referendum proposals is in line with the traditional refusal of the electors to approve the transfer of additional powers from the States to the Commonwealth; in view of past history, the Government might consider itself fortunate to have secured approval for one of its proposed amendments.

The return of two Labour Independents, however, while no doubt influenced by personal issues, was evidence of an inner struggle within the Labour movement. Just how acute an embarrassment to the Government is the presence at Canberra of Mr. Lang was vividly demonstrated in the course of the debate on the Address-in-reply soon after the Eighteenth Parliament assembled on November 6. Carefully choosing his time, so as to speak when a maximum number of listeners could be expected to be tuned-in to the broadcast of the proceedings, for half an hour he taunted the Government for its alleged failure to implement the party platform and derided the Parliamentary Labour party as "the Right wing of the Opposition". After he sat down the debate collapsed in confusion, no Government speaker being prepared to reply to him. During the remainder of the session Mr. Lang has figured in several other episodes, including an alleged attempt to prevent him from speaking during the debate on supply.

Moreover, the defeat of the Ministers for the Army and Repatriation, while in itself perhaps mainly due to their unpopularity among ex-servicemen, has had embarrassing consequences. The Government's position in the eyes of the public has not been enhanced by the unseemly haste with which they and other defeated candidates have been appointed to public posts at home and abroad. The Prime Minister's position in the party has been

* See *THE ROUND TABLE*, No. 145, December 1946, p. 91.

weakened by the defeat of two Ministers who could be relied on to support his moderate policies.

Still more serious was the element of discord introduced by the need for selecting a new Deputy-Leader of the Parliamentary Labour party to replace Mr. F. M. Forde, the defeated Minister for the Army. On October 31 the party elected Dr. Evatt as his successor, but the election was closely contested by Mr. Ward, for long the *enfant terrible* of the party, and not only a former colleague of Mr. Lang but also perhaps still in sympathy with some of his ideas. It had not previously been realized that Mr. Ward, who occupies the relatively junior post of Minister for Transport, could command so extensive a following in the party.

Industrial Unrest

THE internal struggle within the Labour movement which is evidenced by these political events derives its impetus from events in the industrial sphere. Industrial unrest has been simmering ever since the great strikes at the end of 1945 and it boiled over again soon after the elections. Last time the industries most affected were steel, coal and shipping, and the trouble centre was New South Wales. On this occasion the industries most affected have been transport, metal-working and gas production, and the trouble centre has shifted to Victoria, although other states have been affected as well and there has also been a dockyard dispute in Sydney.

In order to appreciate the background of these disputes it should be noted that in Australia the weekly average of all wages and salaries has remained fairly stable since 1942 at about £6. 10s. per "male-unit".* The wages of workers employed under awards of the Commonwealth Arbitration Court, who constitute the great majority of wage-earners, are made up of three components, apart from overtime earnings and similar extras. The first component is a basic wage, varying automatically with the retail price index-number, but generally uniform as between trades in any particular locality. The second component is a margin, received by most workers, for skill or other special circumstances. This margin ranges from a few shillings per week for the least skilled to £1 or more for the most skilled, but does not vary with retail prices. Thirdly, many workers also receive a "war-loading" of up to 6s. per week, originally awarded as a means of attracting labour to industries engaged on war production, but subsequently extended to most industries.

Since 1942 the basic wage—the first component—has been kept virtually stable, at an average level of about £4. 16s. per week in the capital cities, by the expedient of keeping stable the retail price index-number to which it is linked. This has been achieved partly by a rigorous and all-embracing system of price control, which has prevented manufacturers and traders not only from reaping speculative profits but also from passing on increased costs where their profits were judged to be "excessive". Hence during the

* *Monthly Review of Business Statistics*. The Commonwealth Statistician calculates earnings per "male-unit" by dividing the total wages bill by the total number of employed males plus 45 per cent of the number of employed females.

past three years company income has remained at about £140 million per annum, and the dividends paid to private persons at about £40 million per annum.* During the same period the aggregate earnings of unincorporated employers, farmers, shopkeepers, professional men and other persons working on their own account have fluctuated around £208 million per annum.†

In addition to this rigid control over profits the Commonwealth has, since 1943, subsidized the production or the importation of commodities that figure prominently in the retail price index-number, such as potatoes, tea, milk and textiles. The cost of these subsidies amounted to nearly £13 million last year and is estimated at nearly £16 million in the current financial year. In addition, primary producers have received other and larger subsidies, which, although not made solely with the object of keeping down the retail price level, have also contributed to that end.

This dual policy of profit limitation and subsidy has achieved its objective in stabilizing the retail price index-number during recent years at about 23 per cent above its pre-war level, although it has recently shown a tendency to rise. On the other hand, it is alleged that the stability thus achieved makes the index meaningless. Some of the items that figure prominently in the index are almost unobtainable, such as vacant house-room. Many items that do not figure in the index-number have risen in price by much more than 23 per cent—for example, fruit and vegetables, other than potatoes—or are in short supply, like beer and tobacco.

It is not surprising that the wage-earner should feel that he has been the victim of an economic confidence trick when he is told that, if his basic wage has not risen in recent years, it is because prices have not risen. The result has been suspicion and resentment in spite of a high level of general prosperity and the virtual absence of unemployment. Moreover wages, like other incomes, have been subject to greatly increased income-tax deductions. It may be doubted, however, whether these grievances would have occasioned so much unrest had not attention been focused upon them by the more militant union leaders and the propaganda of various political groups.

Wage Pegging

NOT only was it necessary to stabilize prices in order to prevent any automatic upward adjustment of the basic wage, but it was equally necessary to stabilize margins, loadings and the standard on which the basic wage was adjustable, in order to prevent any upward movement of costs and therefore of prices. Price control and wage control are complementary. This was recognized in 1942 by the issue of the Commonwealth Government's wage-pegging regulations. Under these regulations it became illegal

* Quoted from *Budget White Paper on National Income*, 1946, Table 8.

† *Ibid.*, Table 5. Expressed as an average per "male-unit", these earnings rose from £5. 6s. 8d. per week in 1938-9 to £9. 15s. per week in 1942-3-4, and have since fallen to £8. 5s. per week (Evidence of H. P. Brown in Interim Basic Wage Case, 1946, p. 8). These averages must, however, be interpreted in the light of the fact that during the earlier period the number of "non-employees" declined very substantially, whereas their number has increased in recent years as men have been released from the Forces.

for the Commonwealth Arbitration Court or for any other industrial tribunal to award rates higher than those prevailing on February 10, 1942, except in order to correct anomalies. It was equally illegal for employers to offer, or for workers to seek, an increase in rates. On several occasions employers have refused to meet union demands on the ground that to do so would be illegal, and on other occasions, when the employers have been willing to meet the demands, the courts have declared the resulting agreements illegal.

It does not require much imagination to appreciate the position of trade-union leaders under these regulations. Their prestige, and often their livelihood, depends on their success in extracting concessions for their members. Never had their bargaining position been so favourable, but here they were forbidden to exploit their advantage. Once the war was over they could hardly be expected to accept a situation that virtually deprived them of any reason for their existence. It is not necessary to suppose that many of them had embraced the Communist faith in order to understand their hostility to the wage-pegging regulations. Some of the more militant unions are no doubt under Communist control, but the trouble has not been confined to them.

The Government has been under continual pressure from the trade-union movement to abandon or relax its wage-pegging regulations. From time to time amendments have been made, but the Prime Minister has steadfastly refused to go beyond the promise made in his policy speech to the effect that, "as economic conditions return to normal, wage-pegging regulations will be steadily relaxed, with the intention of their eventual abolition". The regulations were first amended to permit extensions of annual leave, recreation leave, sick leave or holidays. Early in 1946, as an aftermath of the first great outbreak of post-war strikes, the regulations were further amended to permit the Arbitration Court to review hours of work and the basic wage standard. The unions decided as a matter of tactics to pursue these two objectives separately and to launch first of all an application for a general forty-hour week.* They may have been influenced in their decision by the failure of their previous basic-wage application in 1940, and also by the hope that the Commonwealth might still be induced to introduce a higher basic wage by legislation if the referendum on industrial powers was successful.

The hearing began on May 23, 1946. Fifty-two unions were involved and most of their leaders insisted on giving evidence—no matter how irrelevant—in order to convince their members that they were watching their interests. Then came the evidence of the Commonwealth and the States, and after five months the employers were still unheard. By October it was obvious that the case was likely to extend well into 1947 before a decision could be expected.

These protracted proceedings not only brought discredit upon the arbitration system, but also engendered in the unions a sense of frustration and impatience which was partly responsible for the outbreak of transport strikes, the most serious of which began in Victoria on October 21 and lasted for ten days.

* See THE ROUND TABLE, No. 143, p. 280; No. 145, p. 88.

At this stage the Prime Minister intervened and proposed to the employers and union leaders that the Court should be asked to consider a revision of the basic wage jointly with the hours case, and to concentrate on the wages portion of the case first and give an interim decision thereon as soon as possible. Both parties were asked to do everything possible to expedite the hearing, and the Prime Minister also renewed his election promise that the Government would review the wage-pegging regulations "as economic circumstances permitted". Some difficulty was experienced in inducing the trade unions to take the initiative in asking the Court to review the basic wage, and eventually on October 30 the Commonwealth itself asked that the 1940 basic-wage case, which had been adjourned without decision, should be restored to the Court's list forthwith. Before suspending the hearing of the hours case, the Court announced that they "considered the time opportune to declare approval of the principle of a forty-hours working week".

The hearing of the interim basic-wage application began on November 25, and on this occasion the Court wisely allotted the parties a time-table designed to complete the hearing in three weeks. On December 13 the Court awarded an interim increase of 7s. per week, to operate as from December 1. The Court pointed out that, apart from any final determination of its own, there would ultimately be a further increase depending on the extent to which the retail price index-number rose as a result of its decision.

In the meantime the Government was subject to renewed pressure from the trade unions to permit a further relaxation in the wage-pegging regulations. In November the question was rendered particularly urgent by a combined strike and lockout of ironworkers, moulders and engineers in Melbourne foundries. In December the industrial situation deteriorated farther with a widespread strike of gas-workers in Victoria, New South Wales and South Australia. The questions in dispute were such matters as extra pay for shift work, time-and-a-half for Saturday work, double-time for Sunday work, and, in the case of the engineers, a straight-out demand for an extra £1 per week. Most of these demands had already been referred to the Court, but it appeared impossible to meet them under the wage-pegging regulations.

Considerable pressure was put upon the Prime Minister to relax the regulations, but he refused to be stampeded and there was some hint of disagreement between Mr. Chifley and his Minister of Labour on the issue. In the meantime power was taken under the Defence (Transition Provisions) Bill to continue sixty-one sets of National Security Regulations, including the price control and wage-pegging regulations, for twelve months beyond December 31, 1946, when they were due to expire.*

Finally, on December 13, within a few hours of the Arbitration Court's decision on the basic wage, the wage-pegging regulations were once more

* The High Court had already held, in *Dawson v. The Commonwealth* (1946 A.L.R. 461) that the Commonwealth defence power authorized the continuance of the Economic Organization Regulations during the transition from war to peace. It was under these Regulations that wages were pegged.

amended, to permit the Court to consider

- (a) an increase in margins proportionate to the rise in the retail price index since the outbreak of war;
- (b) additional payments for shift-work, week-end work and piece-work; and
- (c) increased rates for certain classes of women workers.

The amendments are highly technical and it is doubtful whether anyone has yet had the opportunity to assess their full significance, but neither they nor the basic-wage increase have hitherto induced a resumption of work in the Victorian foundries.

The Budget

IT has already been observed that price control and wage pegging are complementary. Together they are the basis of the Government's anti-inflation policy—a policy for which Mr. Chifley himself is primarily responsible, since he has been Treasurer ever since Labour first assumed office in 1941. It is evidence of the confused economic thinking that prevails in political circles that this policy has the support of some who oppose the retention of any form of wage pegging.

On the other hand, there are members of the Labour movement who are frankly opposed to Mr. Chifley's financial policy on its own merits and are not merely critical of its industrial implications. They urge that all public works should be financed by Commonwealth Bank credit instead of public loans. They derive their ideas from Labour's experience during the depression, when the Scullin Government came into conflict with the Commonwealth Bank board. They are powerfully supported by the presence of Mr. Lang in the House. Their chief spokesman is Mr. Ward, which is not surprising in view of his previous association with Mr. Lang and his evident political ambitions. Before the last elections he declared that,

"in the ranks of Labour, those who have been supporting a change in financial policy over a period of years have been growing in strength, and I am confident that, with the return of a Labour Government, those who want a change in our financial policy will be in the majority".

Mr. Chifley's attitude seems to be that, while Central Bank credit should certainly be used to counter any deflationary tendency, it should not be used as a standard and continuing form of public finance. Last July he claimed that, of £1,006 million that the Government had raised by loan since it took office, nothing had come from Central Bank credit or from the trading banks. During the same period £311 million had indeed been raised by discounting treasury bills with the Commonwealth Bank, but since 1944 there had been no addition to the number of bills outstanding. On the contrary, in recent months the Commonwealth has apparently been reducing the volume of outstanding bills, presumably as an anti-inflationary measure.

On November 14 Mr. Chifley presented his budget, and the debate thereon comprised the chief business of the session, which closed on December 6. For the second year in succession the Government adopted the excellent British practice of printing a White Paper showing national-income estimates since 1938. According to this document the aggregate value of all goods

and services produced last year amounted to £1,434 million, which was slightly higher than in the previous year and 53 per cent above the pre-war level. The revival of private consumption and investment during the past year has thus offset the depressing effect of the decline in war expenditure.

For the current year Mr. Chifley budgeted for a Commonwealth expenditure of £444 million, a decline of £98 million on the previous year; and for a Commonwealth loan programme of £59 million, a decline of £94 million on the previous year. However, he pointed out that borrowing by the States and local authorities for public works and housing was estimated to amount to £69 million, so that the total governmental borrowing programme would be about £128 million.

It will be observed that Commonwealth borrowing is to be reduced almost to the full extent of the reduction in expenditure. Very little reduction in the revenue from taxation is contemplated but, owing to the buoyancy of taxable income, a reduction in tax rates has nevertheless been possible. Some reduction in income tax was made before the elections, but the only further concessions made in the budget were in indirect taxation. Clothing was exempted from sales tax, and both sales tax and customs and excise duties were reduced on a number of other items. Income tax, however, still remains at a high level and, so far from mitigating the danger of inflation, may even be accentuating it by stifling enterprise among employers, reducing the attractiveness of overtime among wage-earners, and generally retarding production.

One of the objectives of reducing sales tax was to counteract the rise in the price of clothing and other items entering into the recorded cost of living. It seems probable, however, that any reduction of prices on this account will be more than offset as a result of the increase in the basic wage and the relaxation of wage pegging. The Prime Minister was obviously opposed to any attempt to offset this rise in wage costs by the grant of increased subsidies for price stabilization.

On December 20 the Prices Commissioner announced, with Cabinet approval, a division of industries into groups according to whether they would be allowed to increase prices by the full extent of the effect on costs of the 7s. wage increase, or by a proportion thereof. According to the evidence of Commonwealth experts in the basic-wage case, a 7s. increase in the basic wage could be expected to raise the retail price index by 2 per cent, and it may be estimated that the relaxation of wage pegging will entail a further 1 per cent rise in retail prices.* Compared with the inflationary process in other countries, however, the combined effect of these increases remains extremely moderate.

Bretton Woods

WHILE the Labour critics of Mr. Chifley's financial policies have not been strong enough seriously to undermine his fight against inflation, they have scored one victory of some significance. On November 20 the

* The 7s. increase in the basic wage is expected to add about £33 million to the aggregate wages bill, and the relaxation of wage pegging is expected to add a further £17 million.

Cabinet decided by a two-to-one majority that Australia should accept the Bretton Woods agreement and join the International Monetary Fund before December 31. The proposal was approved by the Federal Executive of the Australian Labour party which met in Canberra the following week, but when it was submitted to a meeting of the Parliamentary party it was referred for consideration to a Federal Conference of the party. The Federal Conference has not yet met and Australia has consequently missed the opportunity of joining the Fund as a signatory member. There is no doubt that the party's action was a considerable rebuff for the Prime Minister. Seven of his nineteen Ministers, led by Mr. Ward, are reported to have voted against him in caucus.

The opposition of Mr. Ward, and those who think with him, to Bretton Woods seems to derive, like their criticism of the Prime Minister's financial policy, from the Labour party's experience during the depression, combined with a profound distrust of the supposed machinations of international financiers. They fear that the Bretton Woods commitments might deprive them of the opportunity of putting their own financial ideas into practice at some future date. Added to this is the fear that Australia might be dragged into another depression by events in America.

Opposition is not, however, confined to the Labour party. Thus many primary producers dislike the restrictions imposed by the Bretton Woods agreement on a country's right to depreciate its currency, and some mining interests are opposed to the agreement because it may stabilize the price of gold.

Since Parliament rose the controversy in the Labour movement over Bretton Woods has been heightened, various groups apparently campaigning in preparation for the Federal Conference, and the public has seen further evidence of Cabinet disunity on the issue. The Minister for Reconstruction, Mr. Dedman, who stands close to the Prime Minister, has issued a public statement favouring Australia's adherence to the agreement, while Mr. Ward has set forth the opposing view in a pamphlet. The outcome of this conflict is likely to have a considerable bearing on Australian policy in the forthcoming international trade negotiations; for those who oppose Bretton Woods are likely also to oppose any substantial tariff reductions even on the basis of mutual concessions. In any case, the present disagreement and delay cannot but damage Australia's standing in the councils of the world.

Australia,
January 1947.

SOUTH AFRICA

THE POLITICAL SCENE

A NUMBER of parliamentary and provincial by-elections have been held in various parts of the country. The results in some cases certainly surprised observers, but it is a little dangerous to generalize too freely about the lessons to be learnt from these clashes between General Smuts's United party Government and the various Opposition parties. South Africa, in common with all countries in the post-war world, is suffering from shortages of supplies and of labour, and the controls and restrictions which these shortages make necessary have inevitably bred discontent among wide sections of the public. Impatience with and criticism of the Government's administrative activities have been vocal and must have had an influence on by-elections.

Of more permanent interest is the question whether recent Government reverses can be entirely explained away by more or less routine discontent arising in difficult times and with a Government that has been in power seven and a half years; or whether there is discernible a changing public opinion on the larger and graver issues of national affairs, such as coloured policy. In other words, have recent electoral experiences been results of votes *against* the Government or votes *for* the Nationalists? With the evidence now available it would be a bold man who would dogmatize.

Since the general election in 1943 there have been eight parliamentary by-elections: in these the Government has held four seats, has lost three to the Nationalists and gained one from the Dominion party. Two members of Opposition parties during that time have changed their allegiance, so that the Government's total strength is undiminished—in itself a considerable achievement in difficult times. The Nationalists in the same period have strengthened their parliamentary party by four members and the Dominion party has lost two.

The Hottentots-Holland By-election

THE sharpest reverse suffered by the United party was in the by-election in the constituency of Hottentots-Holland, the result of which has just been declared. Eighty per cent of the electorate cast their votes, and the Nationalist candidate was returned with a majority of some 600 votes. This constituency, under different names, has always been a stronghold first of the South African party and later of the United party. In the Coalition election of 1933 the South African party candidate was returned unopposed; in the general election of 1938 the United party candidate had a majority of 1,200; in a by-election in 1942 a majority of 1,100; and in the last general election in 1943 a majority of nearly 1,300.

The number of voters on the roll has increased since 1943, probably, on balance, to the benefit of the Nationalists; but the evidence is undeniable that there has been a substantial turn-over of votes. The United party had as

strong a candidate as could reasonably be expected in a young, able, well-known and popular ex-Serviceman. In the stable constituencies of the Cape the defeat was a set-back for the Smuts Government. Too much must not be read into this result, but, on the other hand, Government supporters are by no means inclined to take it too lightly.

The Nationalists have now won a predominantly peri-urban seat in the southern Cape, a rural seat in the northern Cape and a rural seat in the Transvaal, and made progress in another Cape seat. All this is evidence of definite Nationalist advance, but it is too early to say that it represents a change of South African public opinion in favour of the more intransigent policies of Dr. Malan's party. General Smuts made the issue of this election a question of confidence in his stand at the United Nations Assembly on the South-West Africa and Indian issues; and on the eve of the election his second-in-command, Mr. Hofmeyr, repeated his opinion that it was an inevitable development that natives and Indians would come to be represented by their compatriots in the legislative bodies of the Union. But against this emphasis on larger questions of policy there is much evidence that the electorate was concerned also about more trivial matters of administrative policy, some aspects (not the principle) of immigration, and some incidental questions of coloured policy; and that it was to some extent influenced by the Nationalist exploitation of colour prejudices. In spite of this, there is the somewhat puzzling probability that the coloured vote in the constituency did not support the United party candidate as solidly as in previous elections.

The Dominion Party Diminished

A GAINST the reverse at Hottentots-Holland, the United party have on the credit side certain gains, especially a notable advance in the difficult and unpredictable province of Natal. A by-election was recently held at East London North, which was the only seat outside the province of Natal held by the Dominion party. That party failed even to put up a candidate, although it commands in East London more vigorous newspaper support than it enjoys anywhere else in the country. Colonel Stallard, the leader of the Dominion party, shrugged off this incident with the rather weak explanation that a suitable candidate could not be found. And now the constituency of Zululand has returned a United party candidate with a majority of nearly 1,700 against a strong Nationalist candidate, and in a poll of nearly 5,000 the Dominionite received 137.

Again, at a Provincial Council election in Durban, in a constituency which the United party has not won for many years, the United party was successful against a woman Labourite whose public activities were such that she could have been expected to obtain the fullest benefit from any discontent there might be in Durban with the Government's administrative shortcomings. The Dominion party, which had previously held the seat, did not put up a candidate. There seems little doubt now that the Dominion party has ceased to count as a factor in South African political affairs, and, unless there is a resurrection, it will probably be eliminated at the next general election.

The Zululand result was in some ways as surprising as that in the Hottentots-Holland by-election, and as the logical deductions to be drawn from it are precisely contrary to those which could be drawn from Hottentots-Holland it is another reason why political prophets in South Africa at the moment are observing a conspicuous caution. The Nationalist party candidate in Zululand was Dr. Jansen, a former Speaker of the House of Assembly, a likeable personality and a moderate Nationalist. Dr. Jansen also has strong Natal connexions, and no better Nationalist choice could have been made, if the Nationalists had designed to take full advantage of the discontent with Government policy and administration and the strong feelings which Natalians harbour on the Indian question.

Lord Hailey on the Reserves

IN a notable address to the Royal Empire Society on January 29 Lord Hailey paid tribute to the present native administration of South-West Africa, pointing *inter alia* to the wide extension of native reserves. He went on to say that there seemed to be no clear view of the function that reserves were intended to serve. This is a matter of history rather than present-day policy. South Africa is full of native reserves. In the Union, besides many smaller areas, the Transkeian Territories constitute a huge, thickly populated reserve in which no white man is allowed to buy land or trade without a permit. The High Commission Territories of Basutoland and Bechuanaland are similarly reserves, together with the greater part of Swaziland. Southern Rhodesia, also, has huge reserves which have been much extended in recent years. All derive from the old liberal and religious conception that what the native needed was a refuge from the rapacity of the white man in which he might lead his primitive life undisturbed by the impact of western civilization and subject only to the rule of law.

The concept was purely philanthropic and undoubtedly did much to save the native from the extinction that has befallen other primitive races. Whether it can be maintained is another matter. The native is growing up. He no longer asks to be shielded from civilization—he is anxious to secure its benefits, doubtful as these may be. To-day many thousands of natives have become thoroughly urbanized and have no desire or opportunity to return to their ancestral homes, which in any case could not find room for them. As a centre of social economy and tribal life the reserves are gradually breaking down. But they remain an indispensable adjunct of native well-being and few, if any, would advocate pulling down the protective ramparts.

South Africa,
January 1947.

NEW ZEALAND

THE GENERAL ELECTION

THE general election held on November 27 was the first to be based on the new electorates. These resulted from the abolition of the "country quota" and the calculation of adult population instead of total population in the determination of electoral boundaries.* The total number of urban electorates was increased from 39 to 45 at the expense of six rural seats, and the North Island gained two electorates with a corresponding reduction in the South Island. Apart from the decrease in rural representation, widespread interest in the election arose from the fact that voters were no longer dominated by a war situation and could give full weight to peace-time party programmes.

A notable characteristic of the election campaign was its lack of excitement. Candidates were almost invariably given a quiet hearing, evidence not of apathy but of an obvious public realization of the importance of the issues involved and a readiness to weigh up seriously the post-war policies of the two political parties. Thanks to the radio, the homes of listeners became an integral part of the public forum addressed by the party leaders.

In the 1943 election 120 Independents, mostly members of the short-lived Democratic Labour party organized and led by Mr. J. A. Lee, added variety to the electioneering. This time the Labour and National parties had the field to themselves except for three Communists and six Independents, who polled altogether less than 2,000 votes. One result is that in the new Parliament every member has been elected by an absolute majority of the voters in his electorate.

Party Programmes

THE Labour party based its appeal to electors on the success of the Government during the past eleven years, including the national war effort. It pointed to the pre-war prosperity that replaced the slump of the 1930's, the provision of social security benefits, the State housing scheme, guaranteed prices for farm produce, expansion of manufacturing industries, the efficient control of credit and currency, especially during war-time, the effectiveness of price stabilization and economic controls, the increase in national income and its fairer distribution, the comprehensive post-war plans for industry, primary production, afforestation, full employment and general national economic and social development. Announcements were made of the Government's intention to remove in May 1947 the remaining national security tax of 6d. in the £ on wages, salaries and other income, to set up a tribunal of two government representatives, two dairy industry representatives and an independent chairman for the determination from season to season of the guaranteed prices to be paid for dairy produce, and to establish

* See THE ROUND TABLE, No. 142, pp. 201-2.

a Dairy Products Marketing Authority which would include among its members representatives chosen by the dairy industry. Electors were warned that a change of Government would threaten the structure of social security, would involve the nation in the evils of unrestricted capitalism, premature removal of war-time restrictions, uncontrolled prices, economic confusion, booms and slumps, public service retrenchment, high interest rates, profiteering and unemployment.

At the same time the leading members of the Government denied any intention to destroy private enterprise. The Prime Minister, Mr. Fraser, in disclaiming the objective of "ultimate socialism", stated:

"It is nonsense to say that the Labour party would socialize everything and everybody. . . . The State might take the place of big concerns, but to socialize everything would not be done, nor did the Government want to do so."

Included in the Labour party's policy was the retention of exchange control and import licensing as essential to industrial development, full employment and economic stabilization. Immigration of skilled workers and their families from the United Kingdom was favoured, but only at such times and to such an extent as housing accommodation could be made available for them.

On the other hand, the National party contended that despite the disclaimers of the Prime Minister and his colleagues the Labour party had never abandoned its original objective of "the socialization of the means of production, distribution and exchange", and that the 1945 Annual Conference of the Labour party had resolved to fight the election "on the party's policy of ultimate socialism". It argued that by such steps as the nationalization of the Reserve Bank, the Bank of New Zealand, airways, coal-mines and road transport services, and by the adoption of various forms of licensing and other drastic controls over production, industry and trade, the Government had already gone some distance along the road to socialism; unless the Government was changed, New Zealand would become a servile State subjected to the tyrannous control of a bureaucratic dictatorship.

Challenging the socialist objective as incompatible with the enterprise, initiative and hard work that were characteristic of the people who had built up this young Dominion, the National party emphasized the importance of encouraging private enterprise and ownership, of abolishing unnecessary restrictions on trade and industry and of substituting non-political boards and co-operative production and marketing councils for the present direct departmental controls. Included in the National party's programme were the restoration of partial private ownership of the Bank of New Zealand, the establishment of a non-political Currency Commission to control credit and currency, and of a non-political Board of Trade to assist in the removal of war-time controls, the allocation of foreign exchange, the development of external and internal trade and the maintenance of price stability.

A strongly emphasized item in the programme was a plan for selling the thousands of State rental houses to the present tenants, by various long-term amortization loans on easy terms, and for encouraging further house-building for private ownership. Low interest rates, reduced taxation, full

employment, industrial profit-sharing, co-partnership and co-operation, the building up of reserves of overseas exchange and internal funds to prevent slumps, the abolition of the Legislative Council, the curtailment of the use of Orders-in-Council and the adoption of measures to prevent hasty legislation were also notable items of policy. Another item was a proposal to replace the present arrangements for guaranteed prices for dairy produce by a plan, recommended some time ago by the dairy industry, for maximum and minimum prices to be fixed by the industry and the Government and operated by an independent tribunal, together with a price equalization reserve fund. Assurance was given that there would be no general wage and salary cuts, nor retrenchment of the Civil Service, and that the present scheme of social security would be maintained without reduction of benefits and with increase in allowable income for age beneficiaries.

The issues raised by both parties related almost entirely to domestic questions, and very little attention was given to foreign policy. Both parties supported the United Nations Organization, Imperial Preference and a full share in Imperial defence responsibilities, and both avoided discussion of the Bretton Woods agreement because of strong differences of opinion among party members. Each party tended to beguile the electors with glowing accounts of the good things to be conferred by a beneficent Government and failed to stress the fundamental importance of hard work, productive efficiency, self-reliance, personal integrity, personal responsibility and collective goodwill and co-operation as the only real basis for national prosperity. The history of this Dominion justifies the belief that New Zealanders would respond at least as readily to a clear call to service as to fair promises of easy living.

Election Results

The state of the parties in the House of Representatives just before the election was:

<i>Labour</i>	.	.	40 Europeans and 4 Maoris
<i>National</i>	.	.	35 Europeans

One seat, until recently held by an Independent, was vacant. The election of 76 European members resulted in the return of 38 for each party. The total number of enrolled European electors was 1,081,766 and of these 94 per cent recorded their votes. Labour received 513,700 votes, National 495,036, Others 1,932. The election of four Maori members, which, in accordance with the Maori Representation Act of 1867, is held separately from that of European members and on a different arrangement of electoral boundaries, resulted in the re-election of the four Labour candidates. The voting was Labour 23,059, National 11,915, Others 1,138. Thus the aggregate votes of Europeans and Maoris gave the Labour party an advantage of 26,738 votes and a majority of four elected members.

When the Labour Government first gained power in November 1935 it held 53 of the 76 European seats, although it was in the minority by 41,875 votes. At the 1938 election 50 European seats were held by Labour with a

majority of over 113,000, and three Maori seats with a majority of 1,077. This marked the peak of Labour's relative voting strength. The 1943 election returned for Labour 41 European members with a minority of 49,955 votes, and four Maori members with a majority of 3,456 votes.

A significant trend in the last four elections has been the loss of rural support for the Labour party. This is indicated in the following table:

<i>Urban Electorates</i>					
		1935	1938	1943	1946
Labour . . .		33	35	31	34
National . . .		4	3	7	11
Others . . .		2	1	1	—
<i>Rural Electorates</i>					
		1935	1938	1943	1946
Labour . . .		20	15	10	4
National . . .		13	21	27	27
Others . . .		4	1	—	—

In reviewing the results of the election the Leader of the Opposition, Mr. Holland, commented:

"It is the National party which has made the progress, and its progress is all the more remarkable in view of the fact that alterations to electoral boundaries cost us at least three seats. . . . The Labour party cannot by any stretch of imagination claim that it has received a mandate from the electors in the 76 European electorates to continue with its programme of ultimate socialism."

On the other hand, the Prime Minister declared:

"Labour has received an emphatic vote of confidence from the electors of the country as a whole. . . . The total votes cast for the Government are the highest ever received by the Labour party, and that after eleven years of office, including three years and nine months of depression and post-depression conditions, six years of war and one year and three months of post-war circumstances. . . . It is true that the Government's majority in the House of Representatives is not over-much but it will suffice for the next three years."

Twenty-nine of the eighty members are ex-Servicemen. Members of the previous Parliament who were defeated in this election included Mr. F. W. Schramm, the Speaker of the House, and Mr. J. Thorn, Parliamentary Under-Secretary to the Prime Minister. The noted Maori leader, Sir Apirana Ngata, who was defeated in 1943 after a long and distinguished parliamentary career, was again unsuccessful as a candidate in the Maori elections.

Industrial Relations

IN trade-union circles the question of industrial unionism and its relation to political action is receiving much attention. Opinion there is growing that reliance on the good offices of a friendly Government is of less importance than the development of a strong, compact, militant organization that can enforce its demands on any Government irrespective of party. The New Zealand Federation of Labour has adopted a proposal to support a campaign for grouping the 400 trade unions with their 220,000 members, at present organized on a craft pattern, into twelve big industrial unions. Such an

organization would greatly increase the power of the unions and their responsibilities in determining for good or ill the economic and social welfare of the country as a whole.

Unfortunately, trouble has arisen on the waterfront, an extremely vital part of the Dominion's economy. During the last few years much has been done to improve watersiders' conditions and to make less casual their employment by guarantees of work and income. Before 1940 their wages and working conditions were governed by Arbitration Court awards. In that year this function was handed over to a Waterfront Control Commission which was given very wide powers "to do all such things as it deems necessary for the purpose of ensuring the utmost expedition in the loading, unloading and storage of cargo at any port". In a review of the Commission's work the Prime Minister recently stated:

"I think it would be correct to say that under Commission control waterside workers have enjoyed substantial improvements in their conditions unparalleled in the history of the waterfront."

In July 1946 a reconstituted Waterfront Industry Commission was appointed, consisting of two nominees from employers' and employees' organizations respectively with an independent chairman holding the status of a Supreme Court Judge.

As a step towards further decasualization of waterfront work the Commission made a majority decision in favour of providing that A-grade waterside workers should be guaranteed work in each four-weekly period to the value of £25, or failing provision of such work should be paid that sum; the guarantee for B-grade workers to be £21, subject in each case to regular attendance for engagement. The watersiders' union refused to accept this, demanded a daily minimum of 14s. and certain other concessions, and decided in the meantime to work only a Monday-to-Friday 40-hour week between the hours of 8 a.m. and 5 p.m. with no Saturday or Sunday work and no overtime. The Commission, faced with a deadlock, has referred the matter to the Government, shipping at all Dominion ports has become disorganized and trade and industry seriously inconvenienced.

At the time of writing, conditions are also disturbed in the dairy industry. Demands by dairy factory employees for higher wages and increased rates for Sundays and overtime were the subject of Conciliation Council negotiations last August and were postponed for further discussion in February. Impatient of delay, dairy factory unions threatened to strike unless an immediate settlement of their claims was made. The Government promptly acted in favour of the unions by revoking part of a schedule in the Factories Act which limited to time-and-a-half rates the payments made in dairy factories for work on Sundays and holidays. This will enable dairy factory employees to receive double time for such work, as is the case in other industries.

High penal rates of this kind are usually intended to reduce overtime to a minimum; but from the very nature of their work dairy factories are obliged to be in operation every day during the season and cannot eliminate Sunday

and holiday work whatever the penal rates may be. Increased costs of production of butter and cheese raise the question of the adequacy of the guaranteed prices now received by farmers.

The employers have protested against the Government's action in altering the Factories Act schedule to suit the requirements of the trade union while Conciliation Council negotiations were pending, and claim that this will encourage direct action and prejudice the effective operation of the Industrial Conciliation and Arbitration Act. The Government nominee on the New Zealand Dairy Board has resigned on the ground that his position has become untenable, and that, "being of the opinion that the national economy of New Zealand cannot stand the strain of extreme penal rates for essential work performed on any day as part of a normal forty-hour week's work", he cannot logically object if dairy farmers press for produce prices fixed on a similar basis.

The problem confronting the Government is not merely the settlement of sectional disputes. The question is raised whether the Government's basic policy of economic stabilization can be maintained. Two important factors in price stability are the costs of imports and of locally produced goods and services. Import prices have risen greatly since 1939; but much-needed imports have been in such short supply that New Zealand banks have accumulated an abnormally large volume of sterling exchange and importers an embarrassing carry-over of unused import licences. This has stimulated a great expansion of local industry to replace non-available imports.

Local prices have therefore become very important in the operation of the economic stabilization policy. These prices depend mainly on unit costs of production and quantity and quality of output per man-hour, and these cannot satisfactorily be adjusted by the use of subsidies, which are generally recognized as an undesirable expedient only justifiable in circumstances of national emergency such as occur in war-time.

It is becoming more clearly recognized that anything that impairs the smooth working of production, trade and industrial relations threatens the whole structure of economic stabilization, standards of living, the ability to provide social security benefits and the plans for social progress and national development on which the Labour party based its appeal to the electors. It would be no exaggeration to say that the ultimate survival of the Labour Government will largely depend on the wisdom and statesmanship which it applies to a solution of this problem.

New Zealand,
December 1946.

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